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A COMMON-SENSE METHOD
OF
DOUBLE-ENTRY BOOKKEEPING
ON FIRST PRINCIPLES

AS SUGGESTED BY DE MORGAN

PART II.—PRACTICAL

BY

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LONDON

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LIVERPOOL: PHILIP, SON, & NEPHEW, 45 TO 51, SOUTH CASTLE STREET

1897

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GENERAL

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DOUBLE-ENTRY BOOKKEEPING.

PRACTICAL PART.

SINGLE-ENTRY BOOKKEEPING, AS AN INTRODUCTION TO DOUBLE-ENTRY.

- I. ACCOUNTS BELONGING TO THE SINGLE-ENTRY SET, WHOSE DEBIT EXCESSES ARE ASSETS OF MINE, AND WHOSE CREDIT EXCESSES ARE LIABILITIES OF MINE.

(1) Personal Accounts.

[*Other people's accounts, not my own.*]

EXERCISE 1. From the following Waste Book entries make separate accounts for Richards, Grover, and Prior, balance each, and state clearly whether the customer owes me, or I owe him anything.

At the beginning of the quarter I owe Grover £5; Prior owes me £6, Richards £10.

REASONS for the directions here given will be found fully set forth in the Theoretical Part.

Fold a sheet of paper lengthways down the middle. Make out three accounts, one headed Grover, the second headed Prior, the third Richards. Write on the top of the left-hand half Dr., Receiving side; on the top of the right-hand half Cr., Paying-away side. As I owe Grover £5, I write £5 on the Cr. side of his account. The Cr. side is the side *in his favour*. He has, some time previously, *paid away* £5 to me, or sent me £5 worth of something, and is my Creditor for £5. As Prior and Richards owe me their amounts, they have *received* them from me, and must be debited with them. Write "To" before debits, "By" before credits.

During the month I sell Goods to Richards invoiced at £18, and to Prior Goods invoiced at £24.

Richards has received and must be debited with £18. Prior has received and must be debited with £24. Unless "for cash" is added, we assume the Goods are not paid for.

I have received from Grover Goods £30, and have sent him a cheque for £34, he allowing me £1 discount for prompt payment.

Grover has parted with Goods worth £30, and must be credited with £30. I now owe him £35. He receives only £34, but as he has agreed to take £34 *as a final settlement*, I debit him as receiving the whole £35. If I do not, his account will show a credit in his favour, £1 still owing. But I do not write To Bank £35, but To Bank £34, and To Discount £1, or To Sundries £35.

Prior has sent me a cheque for £29, I allowing him £1 discount.

This cheque I pay into my Bank. The Banker gets the cash for me from Prior's Banker, puts it with the rest of the money he has of mine, and credits my account in his books. As my Banker has received £29, I debit Bank account £29. Prior's account I must credit with £30. If I credit it with £29 only, it will appear as if Prior still owed me £1.

I received from Richards £15 cash.

Richards pays away. His account must be credited £15.

I lent Prior £90. He soon after compounded with his creditors, and I got but 6s. 8d. in the £.

Prior receives £90; so his account must be debited £90, for he owes it to me. He pays me back only £30, but I must close his account, and credit it with the whole £90, as though he paid away £90. Why? Because he *legally* owes me nothing after paying away £30; and if I credit his account with £30 only,

there will be left in the account £60 owing to me, which I shall never get, and must not consider owing to me. *I must cancel the whole debt*, losing thereby £60.

Later on, I received from Prior Goods invoiced at £45.

Prior has parted with £45 worth of Goods; so I credit his account with £45.

Practical Hint for Balancing. When it is obvious which is *the excess side*, cast up that side first, and ink it in at once. Then add up the deficient side, subtracting the unit of the total from the unit of the excess total, then the tens from the tens, and so on, as soon as each digit in the less total is obtained.

Caution! In making out a personal account, say Prior's, the only question I must ask is, "Does *Prior* receive this, or does *Prior* part with this value?" It is *Prior's* account, not mine.

<i>D^r</i>				RICHARDS'S ACCOUNT.				<i>C^r</i>			
<i>Receiving side.</i>				£	<i>Paying-away side.</i>				£		
To Balance ...	...	...	10		By Cash ...	...	...	15			
„ Goods ...	...	...	18		„ Balance ...	...	...	13			
				<u>£28</u>					<u>£28</u>		
Balance brought down, £13.											
[Richards owes me £13—an											
asset of mine.]											

GROVER'S ACCOUNT.

				£					£		
To Bank ...	...	...	34		By Balance ...	...	...	5			
„ Discount ...	...	...	1		„ Goods ...	...	...	30			
				<u>£35</u>					<u>£35</u>		

[No Balance. I owe Grover nothing; Grover owes me nothing.]

Dr.	PRIOR'S ACCOUNT.				Cr.
To Balance ...	...	...	£	By Bank ...	£
,, Goods ...	...	...	6	,, Discount ...	29
,, Cash ...	...	...	24	,, Cash and Bad Debt ...	1
,, Balance ...	...	...	90	,, Goods ...	90
			45		45
			<u>£165</u>		<u>£165</u>
				Balance brought down, £45.	
				[A Liability of mine. I owe	
				Prior £45.]	

(2) Cash Account—i.e. Cashier's Account.

[Suppose every entry to be made by my cashier. It is NOT my account, but my cashier's personal account.]

EXERCISE 2. From the following statements compile a Cash account, balance and close it, and state what the balance means.

At the beginning of the month my cash in hand was £120.

My cashier received this at some time or other, and put it on the Dr. or receiving side of his account. It was a *debit excess* in his last account, an asset of mine. It must go on the same side of this new account, viz., on the Dr. side.

Gibson has received £25 cash, Robins £50 cash, Gough £20 cash.

Cashier has paid away £95, and credits his account with £95.

Goods have been bought for £65.

Cashier paid away this, too, and credits his account £65.

£80 has been drawn from Bank.

Cashier received this and ∴ debits his account £80.

Landlord has been paid £28, rate collector £7, errand boy £1.

Cashier paid away £36, and $\therefore$ credits his account £36.

Cash sales have yielded £70.

Cashier has received this, and $\therefore$ debits his account £70.

£1 was stolen from counter, and £43 sent to Bank.

Both amounts have been parted with, and must go on Cr. side of Cashier's account. He will have to account for £44 less cash on account of these two transactions.

Important Note. If no *name* is mentioned when Goods are bought or sold, *cash* is paid or received.

Dr

CASH ACCOUNT.

Cr

(CASHIER'S PERSONAL ACCOUNT IN MY BOOKS.)

<i>Receiving side.</i>				<i>Paying-away side.</i>			
			£				£
To Balance ...	...	...	120	By Gibson, Robins, & Gough	...	...	95
„ Bank ...	...	...	80	„ Goods ...	...	...	65
„ Goods ...	...	...	70	„ Trade Expenses	...	...	36
				„ Loss ...	...	...	1
				„ Bank ...	...	...	43
				„ Balance	...	...	30
			<u>£270</u>				<u>£270</u>

Balance brought down, £30.

[An Asset of mine, a Debit Balance. Cashier owes me £30, or has £30 belonging to me.]

Caution! As Cashier cannot possibly pay away more of my money than he first receives, the paying-away side of

a Cash account can never exceed the receiving side. If there is any Balance at all, it must be a *Debit* Balance in my favour. Hence "Cash Balance £30" can never mean anything but £30 in hand.

(3) Bank Account.

[*My BANKER'S personal account in my books. Suppose every entry made by the Banker in my books.*]

EXERCISE 3. From the following details make out my Bank account, balance it, and explain what the balance means.

On Saturday night, my Balance at the Bank was £250.

Banker has received this from me, and debited himself £250. It was a Debit Balance, an Asset due to me, and must go on the same side in the new Bank account.

Sent to Bank Smith's cheque for £28, and Jones's for £12.

Banker gets these cashed at Smith's and Jones's Banks, and credits my account in his books, and debits his account in my books, for Banker has received £40 of my money, and owes it to me.

Drew from Bank £8 for Petty Cash.

Banker pays £8 away for me, and credits his account in my books.

Paid Robinson his account, £20, less £1 discount, by cheque.

Banker will pay away £19 to Robinson when the latter presents my cheque. Banker credits his account, and debits my account in his books.

Bank allowed me £2 interest on my deposit.

Banker *owes* me £2, besides the other money he has of mine. It must be added to the other *debts* to increase Banker's indebtedness to me. For, if he paid me the £2, it would come out of the Banker's own money, not out of what he has belonging to me. Banker's account in my books would not be altered. When I get the money, I pay it over to the Banker as a deposit, and he *debts* his own account with it, and credits mine in his books.

Drew out of Bank £200.

Banker pays away and credits his account in my books ; debits my account in his books.

Paid into Bank week's receipts, £24.

Banker receives and debits his account in my books ; he credits my account in his books.

D:

BANK ACCOUNT.

Cr

(BANKER'S ACCOUNT.)

<i>Receiving side.</i>				<i>Paying-away side.</i>			
			£				£
To Balance ...	...	...	250	By Petty Cash ...	...	...	8
„ Smith & Jones ...	...	...	40	„ Robinson ...	...	...	19
„ Profit (Int.) ...	...	...	2	„ Cash ...	...	...	200
„ Cash ...	...	...	24	„ Balance ...	...	...	89
			<u>£316</u>				<u>£316</u>

Balance brought down, £89.

[An Asset of mine. Banker owes me £89.]

Caution! As Banker cannot pay away out of the money he has of mine more than I have paid away to him—

i.e. more than he has received from me—the Dr. side of Banker's account can never be less than the Cr. side, except in the rare case where a Banker obligingly allows a good customer to *overdraw his Bank account*. Any balance in my Banker's account must be a *Debit Excess*, an *Asset* of mine, unless the Banker has paid away for me all my money at the Bank, and allowed me to get into his debt. A Bank Balance, like a Cash Balance, is assumed to be a Debit Balance. If it is a Credit Balance, a balance in favour of the Banker, a Liability or debt I owe him, it must be called *an overdrawn Balance at the Bank*.

(4) Valuation Account.

[*The account of the Clerk in charge of my permanent assets, such as horses and vans, trade plant, machinery, etc.*]

EXERCISE 4. Compile a Valuation account from the following details, balance it, and explain what the balance means.

At the commencement of the year I have horses and vans valued at £300, implements and utensils at £40, business premises at £600, trade fixtures and office furniture at £60.

The clerk in charge of my permanent assets or stock has received these, and debited his account with their value, £1,000. They are assets, and must go on the debit side of the new valuation account.

During the year, a horse valued at £60 died, and a van worth £5 was smashed up.

These events lessen permanent assets by £65, for £65 worth has been parted with, just as much as Goods are when sold. Valuation clerk must *credit* his account to lessen the Asset on the Dr. side. He has now only £935 worth of Stock to account for to me.

A horse was bought for £80.

This *adds* to Stock, is received by Stock clerk, and entered on Dr. side of his account to increase the asset in his charge.

The warehouse is burnt down, and £600 Insurance received from Fire Office.

This lessens Stock, and increases Cash. Valuation account must be *credited* £600. Its clerk has £600 worth *less* of Stock to account for to me ; Cash clerk £600 *more* money.

At the end of the year I allow 10 per cent. depreciation for wear and tear on all stock on hand.

I consider that $\frac{1}{10}$ of all my Stock has been parted with owing to its lessened value. Valuation clerk must credit his account with £48 to lessen the Asset. The effect is the same as if a horse worth £48 was killed, or £48 worth of implements destroyed by fire, or £48 worth stolen.

I value Goods on hand, at close, at £120.

This is one of my Assets, though not a permanent one. The reason why we put it into Stock clerk's charge is given in the article on "Double-Entry Accounts." Stock clerk receives it and debits it to his account, as an Asset of mine, during stock-taking, but will hand it over to Goods clerk on reopening books.

<i>Dr</i>	VALUATION ACCOUNT.	<i>Cr</i>
(STOCK CLERK'S ACCOUNT.)		
<i>Receiving side.</i>	£	<i>Paying away side.</i>
To Balance (Horses, etc.)	300	By Loss (Horse, etc.) ...
„ „ (Implem.) ...	40	„ Cash (Fire Ins.) ...
„ „ (Prem.) ...	600	„ Depreciation ...
„ „ (Fixt.) ...	60	„ Balance ...
„ Cash (Horse) ...	80	
„ Goods on hand ...	120	
	<u>£1,200</u>	
Balance brought down, £487.		

[A Debit Balance, an Asset of mine. Stock clerk has Stock worth £487 in his charge.]

Caution! A Valuation Balance must always be a Debit Balance, an Asset, representing property belonging to me.

(5) Bills Receivable Account.

[*The Bill Clerk's Account.*]

EXERCISE 5. Draw up a Bills Receivable account from the following statement, balance it, and state what the balance means.

At the end of the year the balance of my Bills Receivable account was £380, being Bills numbered 10, 11, and 12 in my Bills Receivable Book, for £200, £100, and £80 respectively.

This was a Debit Balance, money owing to me, and must go on debit side of Bills Receivable account. The actual Bills are in my clerk's possession, having been received by him instead of money.

Sold Goods £75 to Ryan, and drew on him for that amount, Bill No. 13 in Bills Receivable Book.

Ryan's acceptance or stamped written promise of £75 has been received, and must be debited to Bills Receivable account. The Bill cancels the debt *for the present*. *Ryan owes nothing till the Bill is mature*. The Bill is Paper Money meanwhile, and I can sell it.

Rigby honours his Acceptance, Bill No. 10, paying £200 into Bank.

The honoured Bill my Clerk now gives back to Rigby, and he credits Bills Receivable account with £200, because he has paid away or *parted with a Bill* for that amount. It was an asset before. That asset is now gone, and must be cancelled in that account because it is now at the Bank.

My Draft on Willis for £100 (Bill No. 11 in Bills Book), sent to Bank to be collected, is returned dishonoured.

Willis's written promise has been broken. The promised money is not paid. *It becomes now a personal account*. An account is opened for Willis and debited with £100. The debt being transferred to Willis's account, it must not continue to appear also in Bills Receivable account. I *credit* Bills Receivable account *to cancel the asset on the other side*, not because I have parted with the Bill. I retain the Bill to show Willis's dishonour, but it is no longer an asset there, but a personal debt elsewhere.

I send to Russell, in part payment of what I owe him, Bill No. 12, for £80—King on Russell, mature to-morrow.

The Bill is parted with, ∴ Bills Receivable account must be credited. I no longer possess the asset down on the Dr. side, and it must be cancelled. Had I kept the Bill, Russell would have paid me £80 on the morrow. By sending Russell's own acceptance back to him, cancelled, I really pay Russell £80, for now he has no Bill to pay.

Dr. **BILLS RECEIVABLE ACCOUNT.** *Cr.*

(BILL CLERK'S ACCOUNT.)

Bills received instead of cash.

To Balance ...	...	...	£ 380
„ Goods ...	...	...	75
			£455

Balance brought down, £75.
[An Asset of mine. I hold a Bill entitling me to £75 when the Bill is mature.]

Bills given back again when honoured.

By Bank ...	...	...	£ 200
„ Willis ...	...	...	100
„ Russell ...	...	...	80
„ Balance ...	...	...	75
			£455

Caution! A Bills Rec. Balance must always be a *Debit* Balance, an *Asset*, Bills in my possession not yet mature for payment, but when mature payable to me.

(6) Bills Payable Account.

[*Bill Clerk's Account.*]

EXERCISE 6. Make out a Bills Payable account from the following particulars, close it, and say what the balance means.

On closing my Ledger, I find a Balance of £260 in Bills Payable account, being Bills 31, 32, and 33 in my Bills Payable Book, for £50, £150, and £60 respectively.

Any balance in Bills Payable account must be a *credit* balance, a *Liability*. The Bills are in the hands of my creditors. I owe £260 to the holders of those Bills, *but not till they fall due*. Meanwhile I do not treat these as present debts by crediting the *persons* I owe them to, but credit them to *Bills Payable account*, because Bills promising £260 have been parted

with, and because entries on the credit side are against me in all the Single-Entry set of accounts, and show Liabilities or lessening of assets.

Bought Goods £240 from Martin, and accepted his draft on me for that amount.

I have paid away a Bill Payable instead of paying Cash. Instead of crediting Cash account, Bills Payable account must be credited, because (1) a Bill has been parted with, and (2) a Liability for £240 has been incurred. *Martin* must not be credited unless I dishonour my acceptance, but before mature *Martin* may have sold it, and the purchaser become my creditor.

My Acceptance, No. 31, for £50, honoured at Bank to-day.

Banker pays away £50 I promised, and I get back the honoured Bill. A Bill being received, Bills Payable account is debited £50, to cancel the Liability on the other side.

I retired my Acceptance (No. 32, for £150), paying £148 cash, and getting £2 discount.

I honour my Bill before the time is up, and am let off by paying £148 only. As, however, nothing more is due from me on this Bill, I cancel the whole Liability by debiting Bills Payable account with the whole £150.

Gough sent me back his Draft on me for £60 (Bill No. 33), and £20 Cash in settlement of his account, £80.

Gough holds a Bill drawn on me for £60. He returns it cancelled to me. I no longer owe the debt, and I receive back the Bill. Bills Payable account must be debited £60. Gough has, by returning my Acceptance, paid me £60 towards the £80 he owes me, for he has cancelled the Liability.

Dr

BILLS PAYABLE ACCOUNT.

Cr

(BILL CLERK'S ACCOUNT.)

*My written promises received back
again when honoured. £*

To Bank	50
„ Cash and Discount ...	150
„ Gough	60
„ Balance	240
	<u>£500</u>

Caution! A Bills Payable Balance must always be a *Credit* Balance, a *Liability* of mine representing money I owe to my creditors on Bills now in their possession.

*My written promises paid away
instead of cash. £*

By Capital or Balance ...	260
„ Goods	240
	<u>£500</u>

Balance brought down, £240.
[A Credit Balance, a Liability.
My creditor holds a Bill
against me for £240.]

II. THE DOUBLE-ENTRY SET OF ACCOUNTS, WHOSE DEBIT EXCESSES ARE LOSSES OR DEFICITS, AND WHOSE CREDIT EXCESSES ARE GAINS OR CAPITAL. (PROPRIETOR'S OWN PERSONAL ACCOUNTS.)

Capital Account.[*The Personal Account of the Owner of the Business.*]

EXERCISE 7. Make out a Capital account from the following, balance it, and explain what the balance means.

At the beginning of the year I have £500 cash, £400 in Bank, Trade Plant worth £100. Flake owes me £40, and Williams £60. I owe Abrams £80 and Isaacs £20.

This is my commencing Balance Sheet. The excess of Assets over Liabilities is £1,000. This is in charge of various clerks ; Banker has been paid £400 of it, Cashier £500 of it, and so on. I have paid it away to them ; the business owes it to me. I credit my own personal account with £1,000, just as I should credit Smith's account, if £1,000 was borrowed from Smith.

I withdraw from Capital, for private expenses, £60.

I *receive* this from my business, and must *debit* my own Personal or Capital account, for it lessens the £1,000 credited to it. Debits are now against me. It is my own account, and debits are always against the person whose name heads the account.

The Legacy (£300), left me by my uncle, I have invested in my business.

An addition to my Capital, received by Cashier, and debited by him ; paid away by me to him, and credited to my Capital account.

I have entered as a first charge upon profits 3 per cent. interest on £1,000 of my Capital.

Having lent my business £1,000, I charge £30 interest, and credit my own account with £30, just as I should credit the account of any other person who had lent the money, and had not been paid the interest.

Net Profits cleared during the year, £240.

This is an addition to what the business owes me, an increase to Capital, to be *credited* to my Capital account. It is the excess of clear gains over dead losses, as set out in Profit and Loss account. It includes, of course, the gross profit made by Trade, as seen in the Credit excess of Goods account.

Dr

CAPITAL ACCOUNT.

Cr

[MY OWN PERSONAL ACCOUNT.]

Myself in account with my Business.

<i>Against me.</i>		£	<i>In my favour.</i>		£
To Cash withdrawn	...	60	By Sundries		
„ Balance			Initial Net Capital		1,000
Final Net Capital		1,510	„ Cash (Legacy)...	...	300
			„ Int. on Capital...	...	30
			„ Net Profits	...	240
		<u>£1,570</u>			<u>£1,570</u>

Caution! The Balance in a Capital account must always be a *credit* Balance, in the Owner's favour, unless the losses and withdrawals have been so great as to swallow up gains and initial capital besides, and so make him *insolvent*.

Final Net Capital, £1,510.
[I began business with £1,000; I have now £1,510.]

Profit and Loss Account.

[Part of Owner's Personal Account.]

EXERCISE 8. From the following statement make out a Profit and Loss account, and show what is done with the Credit Excess, the excess of gains over losses.

During the year, Brown became bankrupt and paid but 3s. 4d. in the £ on a debt of £30.

I got but £5 instead of £30. The £25 loss must go on the Dr. or Loss side, as a diminution of Capital.

I wrote off Harrison's account, £23, as a bad debt.

A dead loss of £23 to be debited to Profit and Loss account.

Was allowed 3 per cent. interest on my deposit, £1,500, at the Bank.

A clear gain of £45, to be *credited* to Profit and Loss account.
It increases Capital.

Bergmann has paid me £16 commission on his consignment.

I have sold Goods for Bergmann, and get £16 without any expense. It is clear profit to be *credited* to Profit and Loss account.

Have paid £21 fire insurance, £4 for advertisements, £20 rent, £5 rates, £2 various Trade expenses.

All outlay with nothing tangible in return. £52 loss to be debited to Profit and Loss account.

Hodges settled his account, £150, I allowing him £3 discount.

A loss of £3; for I have booked £150 as owing, and get but £147. Debit Profit and Loss account with £3.

Settled Lloyd's account, £80, being allowed by him £2 discount.

My Liability of £80 is cancelled by paying £78. A clear gain to me. *Credit* Profit and Loss account £2.

Have made on sales a gross profit of £120.

Goods or Trade account shows a Credit Excess of £120, £120 more got for Goods than spent on them. Credit Profit and Loss account £120.

<i>D^r</i>	PROFIT AND LOSS ACCOUNT.		<i>C^r</i>
[PART OF MY OWN ACCOUNT.]			
<i>Losses.</i>		<i>Gains.</i>	
To Brown (Bankrupt) ...	£25	By Bank (Int.) ...	£45
„ Harrison (Bad Debt) ...	23	„ Cash (Bergman's } ...	16
„ Trade Expenses ...	52	Commission) }	
„ Hodges (Disc.) ...	3	„ Lloyd (Disc.) ...	2
Net Profit or Increase } ...	80	„ Goods (Gross Profit) ...	120
to Capital ...			
	£183		£183

Caution! The excess in a Profit and Loss account must always be a *Credit* Excess, unless losses have swallowed up gains.

Net Profit or Increase to Capital £80. To be taken to the *Cr.* side of Capital to increase it.

Goods Account, Trade Account, Merchandise Account.

[Part of my own Personal account, in so far as its CREDIT EXCESS IS MY PROFIT and goes to increase my Capital; but inasmuch as Goods on hand is an ASSET for Final Balance Sheet, it belongs also to the Single-Entry Set of accounts, Goods on hand being debited to Valuation account as one of the Final Assets.]

EXERCISE 9. Make out a Goods account from the following statement, balance it, say what the balance means, what is done with it, and what becomes of Goods left unsold.

Goods on hand at commencement of month, £60.

This is an Asset to be debited like other assets—*i.e.* it must be put on the buying side, for the Goods have been bought and received by Stock clerk.

Cook sent me Goods invoiced at £54.

Goods bought by me. £54 must go on Dr. or buying side of Goods account.

Returned to Cook Goods invoiced at £5, as not equal to sample.

£5 must go on the selling side, the Cr. side, because Goods have been parted with just the same as if sold to Cook at cost price.

Sold Golding Goods £50, Wright Goods £32.

£82 to go on Cr. or selling side of Goods account.

Took out of stock, for trade samples, Goods worth £1.

They have been parted with, and £1 must be credited to Goods account as if sold, but debited to Profit and Loss account instead of Cash. Sold for *nil*.

Received over the counter during the month, £85.

Sales ; credit Goods account £85.

Took for use at home Goods worth £8.

They are parted with, so Goods must be credited as if sold for £8, but with this difference, that I debit my own (Capital) account with £8, and not my Cashier. I have drawn £8 out of the business, not in Cash, but in Goods, and must debit my own account. It has lessened what the business owes me by £8.

Value Goods unsold at end of month at £48.

I must enter £48 on Cr. or selling side of Goods account *as if these Goods on hand were sold at cost price*. I must also debit them to valuation account, for they are an *Asset* of mine, to be reckoned in, when I find Final Net Capital from excess of Final Assets over Final Liabilities,

Dr. GOODS OR TRADE ACCOUNT. Cr.				
<i>Buying Side.</i>		£	<i>Selling Side.</i>	£
To Balance	...	60	By Cook	5
„ Cook	...	54	„ Golding & Wright	82
Credit Excess,	}	112	„ Loss (Samples)	1
Gross Profit			„ Cash	85
		<hr/>	„ Capital	5
		<hr/>	„ Valuation Goods on hand	48
		£226		<hr/>
				£226

Caution! In a Trade account the Excess must be a *Credit* Excess, unless I have made no profit by trading.

Gross Profit to be credited to P. & L. Account } £112

The Value of Goods on hand at close is an item for Final Balance Sheet, or for Balance account, for it is an *Asset*. It may be debited at once to Valuation account along with the permanent Assets. Some bookkeepers transfer it at once to Balance account; if they open no Balance account, then to Final Balance Sheet.

Final Balance Sheet.

[*Simply a statement of Assets on the right, and Liabilities on the left—i.e. the balances of the Single-Entry accounts written, after the manner of the Double-Entry accounts, as a Personal account, the Cr. side being in my favour.*]

EXERCISE 10. Draw up a Final Balance Sheet from the following statement of my affairs on Dec. 31st. Compile from it a Capital account to open my new year's Ledger with, and state whether I am solvent or insolvent.

My Ledger shows a Balance of £220 in Cash account.

This must be a debit excess, an *Asset*, for Cash account can never have a Credit excess.

My Bank account is overdrawn by £40.

A Liability. I owe Banker £40.

Goods on hand and Trade Fixtures I value at £100 and £30 respectively ; Shop at £600.

All Assets.

There is a mortgage of £500 on my shop, and £10 interest on it owing.

Both Liabilities. I owe £510.

Jones's debit balance is £20, Bryan's credit balance £450.

Jones owes me £20; this is an Asset of mine. I owe Bryan £450; this is a Liability of mine.

Dr

FINAL BALANCE SHEET.

Cr

	<i>Liabilities.</i>	£
Bank		40
Mortgage		510
Bryan		450
		<hr/>
		£1,000

	<i>Assets.</i>	£
Cash	... ..	220
Goods, Fixtures, Shop	... ..	730
Jones	... ..	20
	Balance,	
	Final Net Deficit	30
		<hr/>
		£1,000

Final Net Deficit ... £30
 I am insolvent. My Assets are less than my Liabilities. If I sold everything I have, and every debtor paid me all owing to me, I could not then pay all I owe. I am £30 in debt.

Caution! In a Final Balance Sheet, the Asset side is always the heavier unless the Owner is insolvent.

<i>Dr</i> CAPITAL ACCOUNT (IN NEW LEDGER). <i>Cr</i>			
Myself in account with my Business.			
	<i>Against me.</i>	£	<i>In my favour.</i> £
To Sundries	... ..	1,000	By Sundries 970
„ Initial Net Deficit	... ..	30	

[The £30 debit is the resultant of £970 credit and £1,000 debit. We must not retain all three items, or we double the initial deficit. We can either retain £30 debit and cancel the other two, or cancel £30 debit and retain the first two items. My business has nothing belonging to me ; on the contrary, I owe it £30.]

DOUBLE-ENTRY BOOKKEEPING.

Ledger tested by Trial Balance, and Owner treated as a Creditor lending his Capital to his Business.

EXERCISE II. Post the following into the Ledger, treat the owner as a customer lending money to the business, take out a Trial Balance, and from it draw up a Final Balance Sheet and a Profit and Loss account.

Directions.—Open the Ledger with Profit and Loss account and Trade account. Rule these off from the rest by a bold double line all across the Ledger. *The excess of all the Credits* in these accounts over all the Debits gives the excess of clear gains over dead losses, *the Net Profit* or increase made by the business. Beneath the double line open the Single-Entry accounts, Valuation, Cash, and the Personal accounts, placing last of all the *Owner's Personal*

account. In these accounts, on opening books, Assets and Liabilities are just equal : there is *no excess*, for net initial Capital is booked as a Liability which the business owes to the Owner. As, therefore, we begin with no excess of Assets, whatever excess there may be on closing books is *Net Profit*, or increase. The Net Profit, as found from the first set of accounts, must agree with that found from the Single-Entry Set—*i.e.*, excess of *Credits* in the Double-Entry Set must equal excess of *Debits* in the Single-Entry Set. And as every item or transaction is booked both as a debit and as a credit, the grand total of the debits, taking both sets as one, must agree with the grand total of the credits. The Trial Balance simply collects the total debits and the total credits of each account in the Ledger, and applies these two tests to them.

Brand began business with £300.

Debit Cashier's account, credit Brand's. £300 is owing to the owner, Brand. Cashier has it.

He bought pony and cart for £45 cash.

Debit Valuation account, credit Cashier's account. Stock Clerk receives, Cashier pays away.

Bought goods, invoiced at £56, of Gough.

Debit Goods account, credit Gough's account. £56 is owing to Gough.

Sold goods to Davison, invoiced at £25.

Debit Davison, credit Goods account. Davison owes £25.

Bought goods for cash £44.

Debit Goods account, credit Cash account.

Paid £10 rent, £3 rates, £7 various trade expenses.

£20 dead loss to go on Dr. side of Profit and Loss account ;
credit Cash account £20.

Pony killed by accident, valued at £30.

£30 dead loss to be debited to Profit and Loss ; £30 credited
to Valuation account because parted with.

Davison settled his account, and Brand allowed him £1
discount.

Debit Cash account £24 and debit Profit and Loss £1, because
I lose £1 ; credit Davison with the whole £25, because nothing
more is owing to me of this debt.

Cash sales during the month £100.

Debit Cash, credit Goods.

Goods unsold, £75.

Debit Valuation account, for this is an asset ; credit Goods
account just as if the goods on hand were sold at cost price.

Has withdrawn during the month £5 to live on.

Debit Brand, credit Cashier. Brand receives what Cashier
parts with.

*Note respecting goods on hand credited to Goods account
and debited to Valuation account.* If the Ledger is to remain
open, these two entries must be *pencilled* in, for they will
not be the same when the Ledger is closed later on,—some
sold, more bought, perhaps.

D^r PROFIT AND LOSS ACCOUNT. *C^r*

<i>Losses.</i>		£	<i>Gains.</i>		
To Cash (Trade Expenses) ...	20				
„ Valuation (Pony) ...	30				
„ Davison (Discount) ...	1				

GOODS OR TRADE ACCOUNT.

<i>Buying side.</i>			£	<i>Selling side.</i>			£
To Gough ...	...	56		By Davison ...	...	25	
„ Cash ...	...	44		„ Cash ...	...	100	
				„ Valuation, Goods on hand		75	

D^r VALUATION ACCOUNT. *C^r*

<i>Receiving side.</i>		£	<i>Paying-away side.</i>		£
To Cash (Pony, etc.) ...	45		By Profit and Loss (Pony) ...	30	
„ Goods on hand ...	75				

CASH ACCOUNT.

			£				£
To Brand ...	...	300		By Valuation (Pony, etc.) ...	45		
„ Davison ...	...	24		„ Goods ...	44		
„ Goods ...	...	100		„ Profit and Loss, Trade			
				Expenses ...	20		
				„ Brand ...	5		

GOUGH'S ACCOUNT.

By Goods ...	...	£56
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DAVISON'S ACCOUNT.

To Goods ...	...	£25	By Sundries ...	...	£25
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BRAND'S ACCOUNT (CAPITAL ACCOUNT).

To Cash (withdrawn) ...	£5	By Cash ...	...	£300
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<i>Dr.</i>	TRIAL BALANCE.			<i>Cr.</i>
Double-Entry Accounts.	$\left\{ \begin{array}{l} \text{£} \\ 51 \\ 100 \end{array} \right.$	Profit and Loss Account ... Goods Account ...	$\left\{ \begin{array}{l} \text{£} \\ 200 \end{array} \right.$	Excess of Credits = $\text{£}200 - \text{£}151 = \text{£}49 =$ Net Profit.
<hr/>				
Excess of Debits = $\text{£}574 - \text{£}525 = \text{£}49 =$ Net Profit.	$\left\{ \begin{array}{l} 120 \\ 424 \\ 25 \\ 5 \end{array} \right.$	Valuation Account Cash Account ... Gough's Account ... Davison's Account Brand's Account } (Capital)	$\left\{ \begin{array}{l} 30 \\ 114 \\ 56 \\ 25 \\ 300 \end{array} \right.$	Single-Entry Accounts.
	<hr/>		<hr/>	
	£725	Grand Total Debits.	£725	Grand Total Credits.

FINAL BALANCE SHEET.

<i>Liabilities.</i>				£	<i>Assets.</i>				£
Gough	...	...	...	56	Valuation	...	...	...	90
Brand	...	...	...	344	Cash	...	...	...	310
				£400					£400

Brand must be credited with the £49 net profit ; £300 + £49 - £5 drawn out = £344.

PROFIT AND LOSS ACCOUNT.

<i>Losses.</i>			£	<i>Gains.</i>			£
To Sundries .	...	...	51	By Goods, Gross Profit	...	100	
„ Brand, Net Gain	...	...	49				
			<u>£100</u>				
				Net Gain to be credited			
				to Brand £49			

The gross Gain on Trade account is got by finding the excess of the selling side over the buying side, £200 — £100 = £100.

Books *prove correct* because—

(1) The Grand Total of Debits = Grand Total of Credits, each being £725.

(2) The *Credit* excess in the Double-Entry accounts = the *Debit* Excess in the Single-Entry Set—*i.e.* Net Profit = Excess of Final Assets over Final Liabilities, when Assets just balanced Liabilities at commencement.

Ledger proved correct by closing every account in it, and Owner treated as a Creditor lending his capital to his business, and being Credited with Net Profit on Closing.

EXERCISE 12. From the following particulars, post up the Ledger, treat the Owner as any other Creditor of the business, close every account, draw up a Final Balance Sheet, and show (1) Gross Profit on Trade, and (2) Net Profit.

Curtis began business with £200 cash and shop valued at £800 (debit cash £200, debit valuation £800; credit Curtis £1,000).—Bought goods of Graham, £80.—Sold goods, £52, to Hill.—Paid £4 fire insurance (debit Profit and Loss £4; credit Cash £4).—Hill settled his account, Curtis allowing him £2 discount (debit Cash £50, debit Profit and Loss £2; credit Hill £52).—Curtis settled with Graham, being allowed £3 discount (debit Graham £80;

credit Cash £77, credit Profit and Loss £3, a clear gain to Curtis).—Paid rates £6, trade expenses £4 (debit Profit and Loss £10; credit Cash £10).—Cash sales during month £98 (debit Cash; credit Goods).—Write off 1 per cent. depreciation on shop (debit Profit and Loss £8; credit Valuation £8).—He values goods on hand at £10 (debit Valuation £10; credit Goods £10, as if sold).

Directions for closing the Ledger.

(1) Balance Trade or Goods account. Its *Credit* Excess is *Gross Profit*. Carry it up to *Credit* side of Profit and Loss account with the other profits.

(2) Balance Profit and Loss account: its *Credit* Excess is *Net Profit*. Carry it to the *Credit* side of the Owner's account (Capital account), to increase the amount the business owes him.

(3) Balance each of the Single-Entry Set of accounts, bring down each balance or excess on the excess side, collect all the *Debit* Balances on the right-hand side of Final Balance Sheet as *Assets*, collect all the *Credit* Balances as *Liabilities*, and see if the *Assets* just equal the *Liabilities*.

<i>Dr</i>		PROFIT AND LOSS ACCOUNT.		<i>Cr</i>	
<i>Losses.</i>		£		<i>Gains.</i>	£
To Cash (Insurance)	...	4		By Graham (Disc.)	3
„ Hill (Discount)	...	2		„ Goods (Gross Profit)	80
„ Cash (rates, etc.)	...	10			
„ Valuation (depreciation)		8			
„ Curtis, Net Profit	...	59			
		<u>£83</u>			<u>£83</u>
				Net Profit	£59

<i>Dr</i> GOODS OR TRADE ACCOUNT. <i>Cr</i>			
<i>Buying side.</i>		<i>Selling side.</i>	
	£		£
To Graham	80	By Hill	52
„ Profit and Loss, }	80	„ Cash	98
Gross Profit }		„ Valuation Goods on hand	10
	<u>£160</u>		<u>£160</u>
		Gross Profit	£80

<i>Dr</i> VALUATION ACCOUNT. <i>Cr</i>			
<i>Receiving side.</i>		<i>Paying-away side.</i>	
	£		£
To Curtis (shop)	800	By P. & L. (depreciation)...	8
„ Goods on hand... ..	10	„ Balance	802
	<u>£810</u>		<u>£810</u>
Balance brought down, £802			
An Asset.			

CASH ACCOUNT.

	£		£
To Curtis	200	By P. & L. (Insurance) ...	4
„ Hill	50	„ Graham	77
„ Goods	98	„ P. & L. (rates, etc.) ...	10
	<u>£348</u>	„ Balance	257
			<u>£348</u>
Balance brought down, £257			
An Asset.			

GRAHAM'S ACCOUNT.

	£		£
To Sundries	80	By Goods	80

HILL'S ACCOUNT.

	£		£
To Goods	52	By Sundries	52

D^r CURTIS'S ACCOUNT (CAPITAL ACCOUNT). *C^r*

		£			£
To Balance	...	1,059	By Sundries	...	1,000
			„ P. & L. Net Profit		59
					<u>£1,059</u>
			Balance due to Curtis,		
			brought down — a		
			Liability of the		£1,059
			business		

FINAL BALANCE SHEET.

<i>Liabilities.</i>				<i>Assets.</i>			
				Valuation	...	...	£802
				Cash	...	...	257
Curtis	...	...	<u>£1,059</u>				<u>£1,059</u>
Gross Profit, Credit Excess of Trade account				...	...		£80
Net Profit, Credit Excess of P. & L. account				...	...		59

Owner's Personal account (Capital account) coming first as one of the Double-Entry Set, and its credit Excess shown to agree with the excess of Assets over Liabilities in the Single-Entry Set.

EXERCISE 13. Post the following into the Ledger, keep the Ledger open, but take out a Trial Balance to detect omissions and mispostings, and from it draw up a Final Balance Sheet, and show (1) Gross Profit on Trade, and (2) Clear Profit, without closing any account.

Began business with £1,000 cash (debit Cash, and credit Capital account).—Buy horse and van, £90.—Ryan sends

me goods invoiced at £50.—I buy goods for cash, £220.—Send Harvey goods, £24.—Cash sales during month, £185.—Pay Ryan, he allowing me £1 discount.—Harvey absconds, and I write off his account as a bad debt (debit Profit and Loss £24; credit Harvey £24).—I value goods on hand at £161 (debit Valuation; credit Goods).—Sundry accounts owing: rent, £16; rates, £3; repairs, £2 (open a Sundry Debts account, and credit it with £21—this is a Liability; debit Profit and Loss £21).

Directions.—1. Adhere to the following order, omitting any account not required:—

Double-Entry Set.—Capital, Profit and Loss, Trade.

Single-Entry Set.—Valuation, Bank, Cash, Bills Receivable, Bills Payable, Personal accounts.

2. Place any subsidiary account immediately after its principal: *e.g.*, Trade expenses immediately after Profit and Loss, Contract account immediately after Trade account.

3. In the Double-Entry Set carry the Goods credit excess *up* to Profit and Loss credit side just above it, and the credit excess of Profit and Loss *up* to credit side of Capital account just above it, *if Ledger is to be closed*.

4. Test to see (1) whether grand total of debits equals that of credits; (2) whether the credit excess in the Double-Entry Set equals the debit excess in the Single-Entry Set, both being final Net Capital (Initial Capital + Net Profit since commencement).

<i>D^r</i>	CAPITAL ACCOUNT.	<i>C^r</i>
<i>Against me.</i>	<div style="display: flex; align-items: center; justify-content: center;"> <div style="border-left: 1px solid black; padding-left: 10px; margin-right: 10px;"> <i>In my favour.</i> By Cash (Initial Net Capital) </div> <div style="font-size: 3em; line-height: 1;">}</div> <div style="text-align: right;">£1,000</div> </div>	

D^r PROFIT AND LOSS ACCOUNT. *C^r*

<i>Losses.</i>			<i>Gains.</i>
To Harvey (Bad Debt) ...	£24		
„ Outstanding Liabilities	21		

GOODS OR TRADE ACCOUNT.

<i>Buying side.</i>			<i>Selling side.</i>	
To Ryan	£50		By Harvey	£24
„ Cash	220		„ Cash	185
			„ Valuation, Goods on hand.	161

D^r VALUATION ACCOUNT. *C^r*

<i>Receiving side.</i>			<i>Paying-away side.</i>
To Cash (Horse, etc.) ...	£90		
„ Goods on hand ...	161		

CASH ACCOUNT.

To Capital	£1,000		By Valuation	£ 90
„ Goods	185		„ Goods	220
			„ Ryan	49

RYAN'S ACCOUNT.

To Sundries	£50		By Goods	£50
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HARVEY'S ACCOUNT.

To Goods	£24		By P. & L., Bad Debt ...	£24
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OUTSTANDING ACCOUNTS.

By P. & L. (Rent, etc.) ...	£21
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<i>Dr.</i>	TRIAL BALANCE.				<i>Cr.</i>
	£			£	
	—	Capital ...	...	1,000	Excess of Credits in Double-Entry Set = Initial Capital + Net Profits = £1,056, Final Net Capital.
	45	P. & L. ...	...	1	
	270	Goods ...	...	370	
	<hr/>				
Excess of Debits in Single-Entry Set = Excess of Assets over Liabilities = £1,056 Final Net Capital.	251	Valuation ...	...	—	
	1,185	Cash ...	...	359	
	50	Ryan ...	...	50	
	24	Harvey ...	...	24	
	—	Outstanding Ac- counts	...	21	
	<hr/>				
	£1,825			£1,825	
	<hr/>				
		Final Net Capital ...			£1,056

FINAL BALANCE SHEET.

<i>Liabilities.</i>	£	<i>Assets.</i>	£
Outstanding Accounts ...	21	Valuation	251
Balance, }	1,056	Cash	826
Final Net Capital			
	<hr/>		<hr/>
	£1,077		£1,077
	<hr/>		<hr/>
		Final Net Capital ...	£1,056

Gross Profit on Trade = Credit Excess in Trade Account
= £370 - £270 = £100.

Net Profit = Credit Excess of P. & L. Account
= £1 + £100 - £45 = £56.

Ledger of a Shopkeeper commencing Business with Borrowed Money.

EXERCISE 14. Post up the Ledger from the following particulars. Test by Trial Balance, and from it make out Final Balance Sheet and show Net Profit. Open a Capital account.

Healy begins business by borrowing £600 from Tomkins (debit Cash and credit Tomkins: it would be wrong to debit Capital account with £600,—that would mean that Healy began £600 in debt, whereas his initial capital is *nil*; his asset, £600, just equals his liability, £600).—He lays out £35 on trade plant.—Draper sends him goods, £35.—He buys goods for cash, £200.—Sells goods for cash, £350.—Settles with Tomkins and Draper.—Pays rent, £15.—Takes out of business £30 to live on.—Has goods left unsold which he values at £50.

<i>Dr.</i>		CAPITAL ACCOUNT.	<i>Cr.</i>
<i>Against Healy.</i>			<i>In Healy's favour.</i>
To Tomkins	600	By Cash	600
„ Cash (withdrawn) ...	30	„ Initial Net Capital ...	Nil.

[The items in *italics* may be omitted.]

PROFIT AND LOSS ACCOUNT.

<i>Losses.</i>	£	<i>Gains.</i>
To Cash (Rent)	15	

GOODS OR TRADE ACCOUNT.

<i>Buying side.</i>	£	<i>Selling side.</i>	£
To Draper	45	By Cash	350
„ Cash	200	„ Valuation, Goods on hand	50

VALUATION ACCOUNT.

<i>Receiving side.</i>	£	<i>Paying-away side.</i>
To Cash (Plant)	35	
„ Goods (on hand)	50	

<i>D^r</i>	CASH ACCOUNT.		<i>C^r</i>
To Tomkins	£600	By Valuation	£ 35
„ Goods	350	„ Goods	200
		„ Tomkins & Draper ...	645
		„ P. & L. (Rent)	15
		„ Capital (private expenses)	30

TOMKINS'S ACCOUNT.

To Cash	£600	By Cash	£600
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DRAPER'S ACCOUNT.

To Cash	£45	By Goods	£45
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<i>D^r</i>	TRIAL BALANCE.		<i>C^r</i>
$\left\{ \begin{array}{l} \text{£} \\ 30 \\ 15 \\ 245 \end{array} \right.$	Capital P. & L.... .. Trade	$\left\{ \begin{array}{l} \text{£} \\ - \\ - \\ 400 \end{array} \right.$	Excess of Credits, £110, Final Net Capital, Initial Capital plus Net Profit.
$\left\{ \begin{array}{l} 85 \\ 950 \\ 600 \\ 45 \end{array} \right.$	Valuation Cash Tomkins Draper	$\left\{ \begin{array}{l} - \\ 925 \\ 600 \\ 45 \end{array} \right.$	
<u>£1,970</u>		<u>£1,970</u>	

FINAL BALANCE SHEET.

<i>Liabilities.</i>		£	<i>Assets.</i>		£
Balance,	}	110	Valuation	}	85
Final Net Capital			Cash		
					25
					<u>£110</u>

Net Gain = £400 - £245 - £15 = £140, i.e. Trade Gain
 (£400 - £245) - £15 loss.

The Journal corresponding to this Ledger is given in the article on
 Classified Journalising, p. 93.

A BANKRUPT'S LEDGER.

Ledger left open but proved two ways: (1) By Trial Balance; and (2) by the Journal Totals agreeing with the Ledger Totals in Trial Balance.

EXERCISE 15. Journalise the following, then post into the Ledger, but do not close any account. Take out a Trial Balance, test it, and draw up a Final Balance Sheet from it.

Mordan, on reopening his books, has an overdrawn balance of £50 at the bank (a Liability, to be credited to Bank account); there is a mortgage of £800 on his shop (another Liability; open an account for Mortgagee and credit it with £800); he owes Thrift £70 and Workman £130.—He has goods worth £20, trade plant worth £40, and shop worth £900 (debit every Asset; credit every Liability; the Liabilities being £90 in excess, Mordan is insolvent to begin with; Capital account must be *debited* with £90. There is no initial capital, but an *initial deficit* of £90.)—Johns sells him goods invoiced at £210.—He sells goods for £130.—Spends on wages and trade expenses £75 (debit Profit and Loss; credit Cash).—Has goods worth £90 left unsold (debit Valuation account; credit Goods).—Takes £30 from capital to live upon (debit Capital account; credit Cash account).

<i>D:</i>		JOURNAL.		<i>C:</i>
	£			£
	20	Goods, Dr.		
	940	Valuation, Dr.		
	90	Capital, Dr.		
		To Bank, Cr.	50	
		„ Mortgagee, Cr.	800	
		„ Thrift, Cr.	70	
		„ Workman, Cr.	130	
	210	Goods, Dr.		
		To Johns, Cr.	210	
	130	Cash, Dr.		
		To Goods, Cr.	130	
	90	Valuation, Dr.		
		To Goods, Cr.	90	
	75	Profit and Loss, Dr.		
		To Cash, Cr.	75	
	30	Capital, Dr.		
		To Cash, Cr.	30	
Total Debits	£1,585	Agreeing with the Ledger Totals in Trial Balance.	£1,585	Total Credits

LEDGER.

CAPITAL ACCOUNT.

<i>Against Mordan.</i>	£	<i>In Mordan's favour.</i>	£
<i>To Sundries</i> ...	1,050	<i>By Sundries</i> ...	960
„ Sundries	90		
Initial Net Deficit			
Cash (withdrawn)	30		

[The first item both sides must be omitted.]

PROFIT AND LOSS ACCOUNT.

<i>Losses.</i>	£	<i>Gains.</i>
To Cash (wages)	75	

<i>Dr</i>		GOODS OR TRADE ACCOUNT.				<i>Cr</i>	
<i>Buying side.</i>		£		<i>Selling side.</i>		£	
To Capital ...	...	...	20	By Cash ...	...	...	130
„ Johns ...	...	...	210	„ Valuation, Goods on hand	...	...	90

VALUATION ACCOUNT.

<i>Receiving side.</i>		£		<i>Paying-away side.</i>			
To Capital (Plant) ...	...	...	40				
„ „ (Shop) ...	...	...	900				
„ Goods on hand...	...	...	90				

BANK ACCOUNT.

		£
By Capital Account	...	50

CASH ACCOUNT.

To Goods ...	...	...	£ 130	By P. & L. (Wages, etc.) ...	...	£ 75
				„ Capital (withdrawn) ...	...	30

MORTGAGEE'S ACCOUNT.

		£
By Capital Account	...	800

THRIFT'S ACCOUNT.

		£
By Capital Account	...	70

WORKMAN'S ACCOUNT.

		£
By Capital Account	...	130

JOHNS'S ACCOUNT.

		£
By Goods ...	...	210

<i>Dr.</i>	TRIAL BALANCE.					<i>Cr.</i>
{	£				£	Excess of Credits, none; £205 deficit.
	120	Capital	...	...	—	
	75	Profit and Loss	...	...	—	
	230	Goods	...	...	220	
<hr/>						
{	Excess of Debits, none; £205 deficit.	1,030	Valuation	...	...	—
		—	Bank	...	...	50
		130	Cash	...	...	105
		—	Mortgagee	...	...	800
		—	Thrift	...	...	70
		—	Workman	...	...	130
		—	Johns	...	...	210
		—				
£1,585	Total Debits.				£1,585	Total Credits.

Agreeing with the totals in the Journal.

Final Net Capital, none; a Deficit of £205.

FINAL BALANCE SHEET.

<i>Liabilities.</i>				£	<i>Assets.</i>				£
Bank	...	...	...	50	Valuation	...	...	...	1,030
Mortgagee	...	...	...	800	Cash	...	...	...	25
Thrift	...	...	...	70	Balance, Final Net Deficit				205
Workman	...	...	...	130					
Johns	...	...	...	210					
				£1,260					£1,260
Final Net Deficit				... £205					

Another Bankrupt's Ledger, proved by closing, and showing that the excess of Final Assets over Final Liabilities equals Initial Capital plus Net Profit, profit being negative.

EXERCISE 16. Smith's affairs were as follow on Jan. 1:—

He owed £800 to Jarvis, and there was a mortgage

on his shop of £300; he had Goods worth £80, a shop valued at £400, and horses and vans at £120; he had £100 cash, but owed £100 interest on mortgage. (His Assets did not equal his Liabilities by £500; debit Capital account with £500.)—He buys Goods for £60 cash.—The mortgagee forecloses, cancels loan and interest, and sells the shop.—(Credit Valuation account £400, the shop is no longer Smith's; debit Mortgagee's account because neither loan nor interest is now due.)—Smith sells Goods for cash, £110.—Pays £10 rent, £5 rates, £5 gas.—Has Goods on hand worth £10.—Writes off £5 depreciation on horses (debit Profit and Loss account; credit Valuation account).

Post these facts into the Ledger, close every account, and take out a Final Balance Sheet.

N.B.—What are generally credit excesses, showing gains, will here be debit excesses, showing *losses* in the Double-Entry Set. On the other hand, in the Single-Entry accounts, the Credits or Liabilities will be in excess.

<i>Dr.</i>	CAPITAL ACCOUNT.		<i>Cr.</i>
<i>Against Smith.</i>	£	<i>In Smith's favour.</i>	£
To Sundries... ..	} 500	By Balance ...	} 545
Initial Net Deficit		Final Net Deficit	
„ Profit and Loss, Net Loss	45		
	<u>£545</u>		<u>Z</u>
Final Net Deficit	£545		

Dr PROFIT AND LOSS ACCOUNT. *Cr*

<i>Losses.</i>	<i>£</i>	<i>Gains.</i>	<i>£</i>
To Cash (Trade Expenses)	20	By Capital, Net Loss ...	£45
„ Valuation (depreciation)	5		
„ Goods (Gross Profit)	20		
	<u>£45</u>		
Net Loss, £45			

GOODS OR TRADE ACCOUNT.

<i>Buying side.</i>	<i>£</i>	<i>Selling side.</i>	<i>£</i>
To Capital	80	By Cash	110
„ Cash	60	„ Valuation (Goods on hand)	10
	<u>£140</u>	„ Profit and Loss, Gross Loss	20
			<u>£140</u>
Gross Loss, £20			

VALUATION ACCOUNT.

<i>Receiving side.</i>	<i>£</i>	<i>Paying-away side.</i>	<i>£</i>
To Capital (Shop)	400	By Mortgagee	400
„ „ (Horses, etc.)	120	„ P. & L. (depreciation)	5
„ Goods on hand	10	„ Balance	125
	<u>£530</u>		<u>£530</u>
Balance brought down, £125			

CASH ACCOUNT.

	£		£
To Capital	100	By Goods	60
„ Goods	110	„ P. & L. Trade Exp.	20
	<hr/>	Balance	130
	£210		£210
<hr/>		<hr/>	
Balance brought down, £130			

<i>Dr.</i>	JARVIS'S ACCOUNT.	<i>Cr.</i>
	£	£
Balance	800	By Capital 800
		Balance brought down, £800

MORTGAGEE'S ACCOUNT.

	£		£
To Valuation	400	By Capital (Loan)	300
		„ „ (Int.)	100
			£400

FINAL BALANCE SHEET.

<i>Liabilities.</i>	£	<i>Assets.</i>	£
Jarvis	800	Valuation	125
		Cash	130
		Balance,	
		Final Net Deficit }	545
			£800
Balance, Final Net Deficit }	£545		

Books prove correct because the Assets are just as much less than the Liabilities in Final Balance Sheet as the Final Net Deficit seen in Capital account—viz. £545.

Partnership.

EXERCISE 17. Post the following into the Ledger, open a separate account for each partner, close every account, and make out Final Balance Sheet.

Allen and Burton are partners having shares as 1 : 3. They have £5,000 cash. (Credit Allen with $\frac{1}{4}$ of this; Burton with $\frac{3}{4}$.) They purchase stock (*i.e.* Goods) for

£800 cash, and sell stock for £1,900 cash. During the year Allen has drawn out for private use £600, Burton £300. They value their stock on hand at £5,900.

D^r ALLEN'S CAPITAL ACCOUNT. *C^r*

<i>Against Allen.</i>		<i>In Allen's favour.</i>	
To Cash (withdrawn) ...	£600	By Cash ($\frac{1}{4}$ Initial	...
Balance Final } ...	2,400	Net Capital) } ...	£1,250
Net Capital } ...		„ Profit and Loss } ...	1,750
		$\frac{1}{4}$ Net Profits } ...	
	<u>£3,000</u>		<u>£3,000</u>

Allen's Final Net Capital, £2,400

BURTON'S CAPITAL ACCOUNT.

<i>Against Burton.</i>		<i>For Burton.</i>	
To Cash (withdrawn) ...	£300	By Cash ($\frac{3}{4}$ Initial Net	...
„ Balance, Final Net } ...	8,700	Capital) } ...	3,750
Capital ... }		„ $\frac{1}{4}$ Net Profit ...	5,250
	<u>£9,000</u>		<u>£9,000</u>

Burton's Final Net Capital ... } £8,700

PROFIT AND LOSS ACCOUNT.

<i>Losses.</i>		<i>Gains.</i>	
To Capital (Net Profit) ...	£7,000	By Goods (Gross Profit) ...	7,000
	<u>£7,000</u>	Net Profit, £7,000	

GOODS OR TRADE ACCOUNT.

<i>Buying side.</i>		<i>Selling side.</i>	
To Cash ...	£800	By Cash ...	1,900
„ Profit and Loss, } ...	7,000	„ Valuation (Goods on	5,900
Gross Grain } ...		hand) ... }	
	<u>£7,800</u>		<u>£7,800</u>
		Gross Gain, £7,000	

SUBSIDIARY ACCOUNTS IN DOUBLE-ENTRY SET.

Ledger containing subdivisions of all the Double-Entry Set of Accounts, including Consignment Outwards and Contracts.

EXERCISE 18. Post up the following, balance and close, and prepare Final Balance Sheet. Open a separate account for each of the two Partners, a separate account for Bad Debts, and another for Trade Expenses; keep the Consignment Outwards apart, each Contract account by itself, and open separate accounts for Ship *Adelaide*, for Corn, and for Flour.

May and Rose are partners, May owning four shares, Rose three; profits or losses to be in the same ratio. On Jan. 1st their affairs are as follow:—Drake owes them £500, Francis £400, Gough £100; they have £1,000 Cash, Ship *Adelaide*, valued at £4,000, Grain worth £300, Flour £200; they have spent on Contract No. 1 £450, on Contract No. 2 £50 (all Assets, each to be debited to its own separate account; credit May with £4,000, Rose with £3,000).—They buy Grain for £200 Cash, and Flour for £300.—Spend £300 on cargo for ship *Adelaide*, £40 on her Insurance, and £60 for other Trade expenses connected with her (debit Ship *Adelaide* account £300, debit Trade Expenses £100; credit Cash £400).—They send a Consignment of Grain to Rigby, invoiced at £450, also Flour invoiced at £250 (debit Consignment Outwards £700, credit Grain account £450, credit Flour account £250).—

They use on Contract No. 1 Flour invoiced at £380, on Contract No. 2 Flour invoiced at £20 (credit Flour account £400; debit Contract No. 1 £380, debit Contract No. 2 £20).—Ship *Adelaide*, insured for £4,000, founders at sea (debit the underwriters £4,000, credit Ship *Adelaide* account £4,000, as if sold to the Insurance Company).—They received £1,530 on account of Contract No. 1, and £210 on account of Contract No. 2 (credit each account with its own amount; debit Cash £1,740).—Drake fails and pays but 4s. in the £, Francis too, and pays 10s.; Gough absconds, and his account is written off as a bad debt (debit Bad Debts account with what is *lost*, debit Cash account with what is received; credit each with full amount of his debt because no more can be claimed).—Rigby sends his *Account Sales* showing Net Proceeds (after all charges and his commission), £800 (debit Rigby £800, credit Consignment Outwards £800).—They paid wages £20, gas £5, advertisements £15 (debit Trade Expenses £40; credit Cash £40).—Flour worth £20 damaged by water (credit Flour account £20, as if sold; debit Profit and Loss account £20).—Grain on hand worth £550, Flour on hand £330 (debit Valuation account £880; credit Grain account £550, credit Flour account £330, as if sold).—Allow, as first charge on profits, 5 per cent. on each Partner's Capital, and a salary of £50 due to Rose as Manager of the Contracts, but not yet paid to him (credit May with £200, and credit Rose with £150 interest + £50 salary; debit P. & L. £400).—May has drawn out £50, and Rose £30 (debit May £50, debit Rose £30; credit Cash £80).

N.B.—Trade Expenses and Bad Debts are parts of P. & L. account; their debit excesses go to the Debit side of P. & L., as dead losses.

Consignment Outwards, Contracts, Ship account, Grain account, Flour account, are all Goods or Trade accounts. Their credit excesses are clear *gains*, to go to the Cr. side of P. & L. account. Should there be a Debit Excess, as there is here in Ship *Adelaide* account, it is a *loss*, to go to the *Dr.* side of P. & L. account.

Dr. MAY'S CAPITAL ACCOUNT. *Cr.*

<i>Against May.</i>			<i>In May's Favour.</i>		
	£	s. d.		£	s. d.
To Cash (withdrawn)	50	0 0	By Sundries ...	4,000	0 0
„ Balance			„ P. & L. (Int. }	200	0 0
May's Final	4,367	2 10	on Cap.) }		
Net Capital			„ P. & L. $\frac{2}{3}$ Net }	217	2 10
			Profit ... }		
	<u>£4,417</u>	<u>2 10</u>		<u>£4,417</u>	<u>2 10</u>
			May's Final		
			Net Capital	£4,367	2 10

ROSE'S CAPITAL ACCOUNT.

<i>Against Rose.</i>			<i>In Rose's favour.</i>		
	£	s. d.		£	s. d.
To Cash (withdrawn)	30	0 0	By Sundries ...	3,000	0 0
To Balance,			„ P. & L., Interest		
Rose's Final Net	3,332	17 2	on Capital ...	150	0 0
Capital.			„ P. & L., Salary ...	50	0 0
			„ P. & L., $\frac{2}{3}$ Net		
			Profit ...	162	17 2
	<u>£3,362</u>	<u>17 2</u>		<u>£3,362</u>	<u>17 2</u>
			Rose's Final		
			Net Capital	£3,332	17 2

Dr PROFIT AND LOSS ACCOUNT (SUMMARY). *Cr*

<i>Losses.</i>	£	<i>Gains.</i>	£
To Flour Account (damage)	20	By Consignment Outwards	
„ May and Rose, Interest		(gross profit)...	100
and Salary ...	400	„ Contract No. 2, ditto ...	140
„ Bad Debts Account ...	700	„ Contract No. 1, ditto ...	700
„ Trade Expenses Account	140	„ Flour Account, ditto ...	500
„ Ship <i>Adelaide</i> Account		„ Grain Account, ditto ...	500
(gross loss) ...	300		
„ Capital Account, }	380		
Net Profit }			
	<u>£1,940</u>		<u>£1,940</u>
		Net Profit, £380	

BAD DEBTS ACCOUNT.

<i>Losses.</i>	£		£
To Drake ...	400	By Balance ...	700
„ Francis ...	200		
„ Gough ...	100		
	<u>£700</u>		
Loss, £700			

TRADE EXPENSES ACCOUNT.

<i>Losses.</i>	£		£
To Cash (Insurance, etc.)...	100	By P. & L. ...	140
„ „ (Wages) ...	40		
	<u>£140</u>		
Loss, £140			

Dr CONSIGNMENT OUTWARDS ACCOUNT. *Cr*

(To RIGBY.)

<i>Buying side.</i>	£	<i>Selling side.</i>	£
To Grain Account and Flour Account	700	By Rigby	800
„ Profit and Loss, } Gross Profit	100		
	<u>£800</u>		
			<u>Gross Profit, £100</u>

SHIP ADELAIDE ACCOUNT.

<i>Buying side.</i>	£	<i>Selling side.</i>	£
To Capital	4,000	By Underwriters	4,000
„ Cash (cargo)	300	„ Profit and Loss, } Gross Loss...	300
	<u>£4,300</u>		<u>£4,300</u>
Gross Loss, £300			

GRAIN ACCOUNT.

<i>Buying side.</i>	£	<i>Selling side.</i>	£
To Capital	300	By Consignment Outwards	450
„ Cash	200	„ Valuation, Grain on hand	550
„ Profit and Loss, } Gross Profit	500		
	<u>£1,000</u>		<u>£1,000</u>
			<u>Gross Profit, £500</u>

FLOUR ACCOUNT.

<i>Buying side.</i>	£	<i>Selling side.</i>	£
To Capital	200	By Consignment Outwards	250
„ Cash	300	„ Contracts 1 and 2 ...	400
„ Profit and Loss, } Gross Profit	500	„ P. & L. (damage) ...	20
	<u>£1,000</u>	„ Valuation (Flour on hand)	330
			<u>£1,000</u>
			<u>Gross Profit, £500</u>

<i>D^r</i>	CONTRACT No. 1 ACCOUNT.			<i>C^r</i>
	<i>Buying side.</i>	£		<i>Selling side.</i>
To Capital	... ..	450	By Cash	 1,530
„ Flour Account	... ..	380		
„ Profit and Loss,	}	700		
Gross Profit				
		<u>£1,530</u>		
				<u>7</u>
				Gross Profit, £700

CONTRACT No. 2 ACCOUNT.				
<i>Buying side.</i>			<i>Selling side.</i>	
		£		£
To Capital	...	50	By Cash	210
„ Flour Account	...	20		
„ Profit and Loss,				
Gross Profit		140		
		<u>£210</u>		
				<u>Gross Profit, £140</u>

Dr.		VALUATION ACCOUNT.		Cr.	
<i>Receiving side.</i>		<i>£</i>		<i>Paying-away side.</i>	
To Grain and Flour on hand	880			By Balance	880
<hr/>				<hr/>	
Balance brought down, £880					
An Asset.					

CASH ACCOUNT.	
<p>To Capital... .. £ 1,000</p> <p>„ Contracts Nos. 1 and 2 1,740</p> <p>„ Drake & Francis ... 300</p> <hr/> <p style="text-align: right;">£3,040</p>	<p>By Grain and Flour ... 500</p> <p>„ Ship Account & P. & L. 400</p> <p>„ Trade Expenses ... 40</p> <p>„ May & Rose (with- } 80</p> <p style="text-align: right;">drawals) ... }</p> <p>„ Balance 2,020</p> <hr/> <p style="text-align: right;">£3,040</p>
<p>Balance brought down, £2,020</p> <p style="text-align: center;">An Asset.</p>	

<i>Dr.</i>		DRAKE'S ACCOUNT.		<i>Cr</i>	
To Capital	...	... £500	| By Sundries	...	... £500

		FRANCIS'S ACCOUNT.			
To Capital...	...	... £400	| By Sundries	...	... £400

		GOUGH'S ACCOUNT.			
To Capital...	...	... £100	| By Bad Debts Account	...	£100

		UNDERWRITERS' ACCOUNT.			
To Ship <i>Adelaide</i> Account	£	| By Balance	...	... £4,000	
(Insurance)	... 4,000				<u> </u>
Balance brought down,	£4,000				
An Asset.					

		RIGBY'S ACCOUNT.			
To Consignment Outwards	£800	| By Balance	...	... £800	
Balance brought down,	£800				<u> </u>
An Asset.					

		FINAL BALANCE SHEET.			
<i>Liabilities.</i>		£	<i>Assets.</i>		£
Balance, Final Net	}	7,700	Valuation	...	880
Capital ...			Cash	...	2,020
Viz.—			Underwriters	...	4,000
May's, £4,367 2 10	}		Rigby	...	800
Rose's, 3,332 17 2					<u>£7,700</u>
			May's Final	}	£4,367 2 10
			Net Capital		
			Rose's ditto	...	3,332 17 2
					<u>£7,700 0 0</u>

SUBSIDIARY SINGLE-ENTRY ACCOUNTS.

Ledger containing Petty Cash account, Consignment Inwards, Premises account, Trade Plant account, and Purchasing on Commission account.

EXERCISE 19. Post the following, test by Trial Balance, and draw out Final Balance Sheet. Open separate accounts for Business Premises, Trade Plant, and Horses and Vans. Debit all Receipts, credit all Payments under £5 to Petty Cash account.

Began business with £2,000 cash and business premises £2,000 (debit Cash £2,000, debit Business Premises £2,000; credit Capital account £4,000).—Spent £80 on goods, £120 on trade plant, £100 on horse and van (debit Goods £80, debit Trade Plant £120, debit Horse and Van account £100; credit Cash £300).—Set aside £50 for petty cash (debit Petty Cash £50; credit Cash account £50).—Paid for stamps, stationery, and office requisites £3 (debit Profit and Loss and credit Petty Cash).—Bought goods for Gilmore for cash, £80, paid £2 carriage on them, and charged £5 commission (debit Gilmore £87; credit Cash £82, credit Profit and Loss £5).—Bought another horse for £30 cash (debit Horse and Van account and credit Cash).—Richards sends me goods, invoiced by him at £80, to sell on commission (no entry at all).—I pay £4 trade expenses (debit Profit and Loss; credit Petty Cash).—I sell Richards's consignment for £120 cash, but have spent on it £4 and charge £6 my commission (debit Cash £120, credit Richards £120; debit Richards £10, credit Petty Cash

£4, credit Profit and Loss £6).—Gilmore settles his account and I settle with Richards.—Pay £3 wages (debit Profit and Loss; credit Petty Cash).—Cash sales during the month £160.—Goods on hand £40 (debit Valuation; credit Goods as if sold).—Write off 1 per cent. depreciation on premises (debit Profit and Loss; credit Premises, each £20).—Also £2 depreciation on trade plant and £2 on horses and vans.—Have taken £40 for private use (debit Capital; credit Cash).

<i>D^r</i>	CAPITAL ACCOUNT.	<i>C^r</i>
<i>Against me.</i>	£	<i>In my favour.</i>
To Cash (withdrawal) ...	40	By Sundries ... 4,000

PROFIT AND LOSS ACCOUNT.

<i>Losses.</i>	£	<i>Gains.</i>	£
To Petty Cash (Trade Exp.)	3	By Gilmore (Comm.)	... 5
„ „ „	3	„ Richards (Comm.)	... 6
„ Business Premises (depreci.)	20		
„ Trade Plant, ditto	... 2		
„ Horses and Vans, ditto	... 2		

GOODS OR TRADE ACCOUNT.

<i>Buying Side.</i>	£	<i>Selling Side.</i>	£
To Cash ...	80	By Cash ...	160
		„ Valuation (Goods on hand)	40

<i>D^r</i>	VALUATION ACCOUNT.	<i>C^r</i>
<i>Receiving side.</i>	£	<i>Paying-away side.</i>
To Goods on hand ...	40	

BUSINESS PREMISES ACCOUNT.

To Capital ...	£2,000	By Profit and Loss (depreciation) ...	£20
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TRADE PLANT ACCOUNT.

To Cash ...	£120	By Profit and Loss (depreciation) ...	£2
-------------	------	---------------------------------------	----

Dr. HORSES AND VANS ACCOUNT.*Cr.*

To Cash £100	By Profit and Loss (de-	
„ „ (Horse) 30	preciation)	£2

CASH ACCOUNT.

To Capital £2,000	By Sundries	£300
„ Richards 120	„ Petty Cash	50
„ Gilmore 87	„ Gilmore	82
„ Goods 160	„ Horse Account	30
	„ Richards	110
	„ Capital	40

PETTY CASH ACCOUNT.

To Cash £50	By Profit and Loss (Trade	
	Expenses)	£3
	„ Richards	4
	„ Profit and Loss (Trade	
	Expenses)	3

GILMORE'S ACCOUNT. (My Purchases on Commission.)

To Sundries £87	By Cash	£87
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RICHARDS'S ACCOUNT. (My Sales on Commission.)

To Sundries £ 10	By Cash	£120
„ Cash 110		

TRIAL BALANCE.

<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Debits, Liabilities, £4,061.</div> <div style="font-size: 4em; margin-right: 10px;">{</div> <div> <div>40</div> <div>Valuation</div> </div> </div>			<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Credits, £4,061, Final Net Capital.</div> <div style="font-size: 4em; margin-right: 10px;">}</div> <div> <div>£</div> <div>4,000</div> </div> </div>
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Debits, Liabilities, £4,061.</div> <div style="font-size: 4em; margin-right: 10px;">{</div> <div> <div>30</div> <div>Profit and Loss...</div> </div> </div>			<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Credits, £4,061, Final Net Capital.</div> <div style="font-size: 4em; margin-right: 10px;">}</div> <div> <div>11</div> </div> </div>
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Debits, Liabilities, £4,061.</div> <div style="font-size: 4em; margin-right: 10px;">{</div> <div> <div>80</div> <div>Goods</div> </div> </div>			<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Credits, £4,061, Final Net Capital.</div> <div style="font-size: 4em; margin-right: 10px;">}</div> <div> <div>200</div> </div> </div>
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Debits, Liabilities, £4,061.</div> <div style="font-size: 4em; margin-right: 10px;">{</div> <div> <div>40</div> <div>Valuation</div> </div> </div>			<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Credits, £4,061, Final Net Capital.</div> <div style="font-size: 4em; margin-right: 10px;">}</div> <div> <div>20</div> </div> </div>
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Debits, Liabilities, £4,061.</div> <div style="font-size: 4em; margin-right: 10px;">{</div> <div> <div>2,000</div> <div>Premises</div> </div> </div>			<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Credits, £4,061, Final Net Capital.</div> <div style="font-size: 4em; margin-right: 10px;">}</div> <div> <div>612</div> </div> </div>
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Debits, Liabilities, £4,061.</div> <div style="font-size: 4em; margin-right: 10px;">{</div> <div> <div>120</div> <div>Plant</div> </div> </div>			<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Credits, £4,061, Final Net Capital.</div> <div style="font-size: 4em; margin-right: 10px;">}</div> <div> <div>87</div> </div> </div>
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Debits, Liabilities, £4,061.</div> <div style="font-size: 4em; margin-right: 10px;">{</div> <div> <div>130</div> <div>Horses</div> </div> </div>			<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Credits, £4,061, Final Net Capital.</div> <div style="font-size: 4em; margin-right: 10px;">}</div> <div> <div>120</div> </div> </div>
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Debits, Liabilities, £4,061.</div> <div style="font-size: 4em; margin-right: 10px;">{</div> <div> <div>2,367</div> <div>Cash</div> </div> </div>			<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Credits, £4,061, Final Net Capital.</div> <div style="font-size: 4em; margin-right: 10px;">}</div> <div> <div>10</div> </div> </div>
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Debits, Liabilities, £4,061.</div> <div style="font-size: 4em; margin-right: 10px;">{</div> <div> <div>50</div> <div>Petty Cash</div> </div> </div>			<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Credits, £4,061, Final Net Capital.</div> <div style="font-size: 4em; margin-right: 10px;">}</div> <div> <div>87</div> </div> </div>
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Debits, Liabilities, £4,061.</div> <div style="font-size: 4em; margin-right: 10px;">{</div> <div> <div>87</div> <div>Gilmore... ..</div> </div> </div>			<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Credits, £4,061, Final Net Capital.</div> <div style="font-size: 4em; margin-right: 10px;">}</div> <div> <div>120</div> </div> </div>
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Debits, Liabilities, £4,061.</div> <div style="font-size: 4em; margin-right: 10px;">{</div> <div> <div>120</div> <div>Richards</div> </div> </div>			<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); margin-right: 10px;">Excess of Credits, £4,061, Final Net Capital.</div> <div style="font-size: 4em; margin-right: 10px;">}</div> <div> <div>120</div> </div> </div>

Total Debits, £5,064

£5,064 Total Credits.

Books prove Correct, because (1) the two Totals agree, and (2) the two Excesses agree.

D ^r FINAL BALANCE SHEET. C ^r			
<i>Liabilities.</i>			<i>Assets.</i>
	£		£
Balance, Final Net } Capital }	4,061	Valuation	40
		Premises	1,980
		Plant	118
		Horses and Vans	128
		Cash	1,755
		Petty Cash	40
			<u>£4,061</u>
		Final Net Capital ..	£4,061

BILLS. JOINT ADVENTURE.

Consignment Outwards. Consignment Inwards.

EXERCISE 20. Post, and test by Trial Balance, the following items and transactions; make out a Profit and Loss Sheet and show that it agrees with Final Balance Sheet.

Caution! Consignment Outwards is another *Goods* or *Trade* account; its credit excess is *profit* or increase to Capital. Consignment Inwards is the *Personal* account of the consignor, a Single-Entry account, whose credit excess is a Liability of mine. Joint Adventure account is a Goods account as to my share in it; but a Personal or Single-Entry account as between each of my co-adventurers and me.

My affairs were as follow on Jan. 1st :—Bank Balance,

£1,000; Cash Balance, £500. There was a Bill out for £200, drawn on me by Roberts (a Liability of mine, a Bill payable which I have parted with, and so Bills Payable account must be credited £200); I hold a Bill for £600, accepted by Holland (an Asset of mine; I have received this Bill, hence Bills Receivable account must be debited £600).—There was due for rent and other trade charges £50 (a Liability, to be credited to Outstanding accounts).—I had spent on a consignment to Madras, per ship *Fairy Queen*, £420 (an Asset, like goods bought but not yet sold, to be debited to Consignment Outwards account).—My office furniture and trade plant I valued at £60 (debit Valuation account).—Goods on hand at £800.—I had advanced to Roberts of Jamaica, by means of my Acceptance above mentioned, £200 against a consignment of goods he had sent me to sell for him, and invoiced by him at £250 (take no notice of the £250; debit Roberts's account with £200 for the Bill payable he has received).—I owed Gibson £130.—Sold goods, £250, to Roan, and drew on him for that amount (debit Bills Receivable account £250, because I receive the Bill; credit Goods account; no account must be opened for Roan unless he dishonour his Acceptance).—Sold Rivers the consignment of goods from Roberts of Jamaica at £220 (debit Rivers; credit the Personal account of Roberts).—Charged £6 commission for selling the same and £14 dock dues and other charges paid by me (debit Roberts £20; credit cash £14, credit Profit and Loss £6).—In joint adventure with Prior I buy goods of Gibson of Madras, invoiced at £420 (credit Gibson £420; debit my own Joint Adventure account £210,

debit Prior with the other half, £210).—Discounted Roan's Acceptance, getting £246 cash (debit cash £246, debit Profit and Loss £4; credit Bills Receivable account £250, because I part with the Bill when I sell it).—Received from Hughes of Madras his *Account Sales*, showing that he had realised, after deducting his commission and other charges, £550 (debit Hughes of Madras £550; credit Consignment Outwards £550).—I draw on Hughes of Madras, in favour of Gibson of Madras, for £550 (a Bill receivable, which does not come into my books; Hughes will have to hand the Bill over to Gibson; debit Gibson £550; credit Hughes £550).—I honoured my Acceptance at bank (my banker paid for me the money I promised to pay in Roberts's draft on me; credit Bank £200; debit Bills Payable £200, because I receive back the honoured Bill).—Sold for £600 cash the goods purchased in joint account with Prior; I charged £10 commission and paid £6 sundry expenses (debit Cash £600; credit my own Joint Adventure account £300 and Prior's £300; debit Prior £8, debit my own Joint Adventure £8; credit Cash £6, Profit and Loss £10).—Cash sales during month £750—Holland meets his Acceptance at the bank (debit Bank £600; credit Bills Receivable account £600, because, the Bill being honoured, I part with it).—Trade expenses, paid by cheque, £100.—Goods on hand £100 (debit Valuation account; credit Goods).—Rivers settles his account, receiving £10 discount.—I have withdrawn £200 for private expenses, have paid the outstanding accounts, and sent Prior his share of the profit on the joint adventure (credit cash £82; debit Prior £82).

<i>Dr.</i>		CAPITAL ACCOUNT.		<i>Cr.</i>	
<i>Against me.</i>		£		<i>In my favour.</i>	
To Cash (withdrawal)	...	200	|	By Sundries	... 3,200

PROFIT AND LOSS ACCOUNT.

<i>Losses.</i>		£		<i>Gains.</i>	
To Bills Receivable	...	4	|	By Roberts (Commission)	6
„ Bank	... ..	100	|	„ Sundries (Commission)	10
„ Rivers	... ..	10	|		

GOODS OR TRADE ACCOUNT.

<i>Buying side.</i>		£		<i>Selling side.</i>	
To Capital	... ..	800	|	By Bills Receivable	... 250
			|	„ Cash	... 750
			|	„ Valuation, Goods on hand	100

CONSIGNMENT OUTWARDS TO HUGHES OF MADRAS.

<i>Buying side.</i>		£		<i>Selling side.</i>	
To Capital	... ..	420	|	By Hughes	... 550

MY JOINT ADVENTURE ACCOUNT.

<i>Buying side.</i>		£		<i>Selling side.</i>	
To Gibson	... ..	210	|	By Cash	... 300
„ Profit and Loss	... ..	5	|		
„ Cash	... ..	3	|		

<i>Dr.</i>		VALUATION ACCOUNT.		<i>Cr.</i>	
<i>Receiving side.</i>		£		<i>Paying-away side.</i>	
To Capital (Plant)	... ..	60	|		
„ Goods on hand	... ..	100	|		

CASH ACCOUNT.

To Capital	... ..	£500	|	By Roberts	... ..	£ 14
„ Bills Receivable	... ..	246	|	„ Sundries	... ..	6
„ Sundries	... ..	600	|	„ Capital	... ..	200
„ Goods	... ..	750	|	„ Outstanding Accounts	... ..	50
„ Rivers	... ..	210	|	„ Prior	... ..	82

<i>Dr</i>		BANK ACCOUNT.		<i>Cr</i>
To Capital ...	... £1,000	|	By Bills Payable ...	... £200
„ Bills Receivable ...	... 600	|	„ Profit and Loss (Trade Expenses) ...	... 100

BILLS RECEIVABLE ACCOUNT.

To Capital ...	... £600		By Sundries...	... £250
„ Goods ...	... 250		„ Bank ...	... 600

BILLS PAYABLE ACCOUNT.

To Bank ...	... £200		By Capital ...	... £200
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OUTSTANDING ACCOUNTS.

To Cash ...	... £50		By Capital ...	... £50
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ROBERTS'S ACCOUNT (CONSIGNMENT INWARDS).

To Capital ...	... £200		By Rivers ...	... £220
„ Profit and Loss (Comm.)	6			
„ Cash (dues) ...	... 14	|		

GIBSON'S ACCOUNT.

To Hughes ...	... £550	|	By Capital ...	... £130
			„ Sundries...	... 420

RIVERS'S ACCOUNT.

To Consignment Outwards	£220		By Sundries ...	... £220
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PRIOR'S ACCOUNT (CO-ADVENTURER'S).

To Gibson ...	... £210		By Cash ...	... £300
„ Profit and Loss (Comm.)	5			
„ Cash ...	... 3	|		
„ Cash (Prior's Profit) ...	82			

HUGHES OF MADRAS.

To Consignment Outwards	£550		By Gibson ...	... £550
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<i>D^r</i>	TRIAL BALANCE.				<i>C^r</i>
	£			£	
	200	Capital...	...	3,200	Excess of Credits (i.e. of Initial Capital plus Profit over Loss), £3,414.
	114	Profit and Loss	...	16	
	800	Goods ...	...	1,100	
	420	Consignment Outwards	...	550	
	218	Joint Adventure	...	300	
	160	Valuation	...		Excess of Debits over Credits (i.e. of Assets over Liabilities), £3,414.
	2,306	Cash ..	...	352	
	1,600	Bank ...	...	300	
	850	Bills Receivable	...	850	
	200	Bills Payable ...	...	200	
	50	Outstanding Accounts	...	50	
	220	Roberts	...	220	
	550	Gibson...	...	550	
	220	Rivers ...	...	220	
	300	Prior ...	...	300	
	550	Hughes	...	550	
	<u>£8,758</u>	Total		<u>£8,758</u>	Total
		Debits.			Credits.

Final Net Capital, £3,414.

FINAL BALANCE SHEET.

<i>Liabilities.</i>	£	<i>Assets.</i>	£
Balance, Final Net	3,414	Valuation ...	160
Capital ...		Cash ...	1,954
		Bank ...	1,300
			<u>£3,414</u>

Final Net Capital, £3,414.

PROFIT AND LOSS ACCOUNT.

<i>Losses.</i>	£	<i>Gains.</i>	£
To Sundries ...	114	By Sundries ...	16
„ Capital, Net Profit ...	414	„ Goods (Gross Profit) ...	300
	414	„ Consignment Outwards	130
		(ditto) ...	
		„ Joint Adventure (ditto)	82
	<u>£528</u>		<u>£528</u>

Net Profit, £414.

Our books prove correct. For, Initial Capital, £3,200, plus Net Profit, £414, less £200 withdrawn from Capital, shows Final Net Capital £3,414. And the excess of Assets over Liabilities is also £3,414, as seen in the Single-Entry Set of accounts.

CLOSING ENTRIES PASSED THROUGH THE JOURNAL.

When closing entries have to be journalised, a *Balance account* must be opened at the end of the Single-Entry Set of Accounts. By *Closing Entries* we mean those *Equalising* entries which we add to the deficient side in balancing and closing the accounts in the Ledger. By the rule of Double-Entry, each of these also must have its double on the opposite side of some other account. In the Single-Entry Set of Accounts, every equalising entry made on the *Cr.* side is transferred to the *Dr.* side of Balance account; every equalising entry made on the *Dr.* side is taken to the *Cr.* side of Balance account. So also the equalising entry on the *Dr.* side of the Capital account is taken to the *Cr.* side of Balance account.

Now, this is only another way of saying that *Debit* excesses are all collected together on the *Debit* side of Balance account, and *Credit* excesses collected together on the *Credit* side. For an equalising entry on the credit side always shows a debit excess, and *vice versa*. It is very important to remember this, because the language of Book-keeping is misleading, and suggestive to beginners of what

is untrue. If in Johnson's account there is a debit balance of £45, there will be a credit equalising entry of £45 to be transferred to the debit side of Balance account. This posting would appear in the Journal thus:—Johnson Cr. £45 to Balance account Dr. £45. But it cannot mean that Johnson is my creditor for £45, for he owes me £45, and must be my debtor. If in Taylor's account there is a credit balance of £45, there will be a debit equalising entry which will be transferred to the credit side of Balance account, and the Journal entry will be Taylor Dr. £45 ; To Balance account Cr. £45. The expression "Taylor Dr. £45" cannot mean that Taylor is my debtor, for I am his debtor. It simply means that the equalising entry of £45 on the debit side of Taylor's account has its double in the entry of £45 on the credit side of Balance account. This is explained fully in the Theoretical Part, in the article on "Transferring."

As Balance *Account* is Final Balance *Sheet* reversed, showing the same facts but on opposite sides, bookkeepers often omit it. It is not wanted unless we are to extend the Double-Entry theory to the closing entries.

In the Double-Entry Set of accounts, the excesses are not all collected together, as in the Single-Entry Set, in one summary account—the Balance account. In an ordinary Trade or Goods account there is a credit excess or profit, and a debit equalising entry. This debit equalising entry is transferred to the credit side of the Profit and Loss account. But this is only another way of saying that the profit from Goods account is put along with other profits on the profit side of Profit and Loss account. In an ordinary

Profit and Loss account there is a credit excess, an excess of gains over losses, and a debit equalising entry. This debit equalising entry is transferred to the credit side of Capital account. But this is only another way of saying that Net Profit is put along with Initial Net Capital to increase it and form Final Net Capital. In an ordinary Capital account there is a credit excess, an excess of Initial Net Capital plus profits over losses. There is, therefore, a debit equalising entry, which finds its double on the credit side of Balance account. This is but another way of saying that the excess of Initial Net Capital, plus profits made since, over losses incurred since, is the same as the excess of Final Assets over Final Liabilities, as set out in Balance account.

In the following Ledger, in the Trade account, the Debit equalising entry is £200, because the Credit Excess or Profit is £200. Hence the Journal entry is

£200	Goods Account Dr.
	To Profit and Loss Cr. £200.

In the Profit and Loss account, the Debit equalising entry is £171, because the Credit Excess or Excess of gains over losses is £171. Hence, the Journal entry is

£171	Profit and Loss Dr.
	To Capital Account Cr. £171.

In the Capital account the Debit equalising entry is £1,051, because the Credit Excess, the Excess of Initial Net Capital plus Net Profit over what has been taken from Capital, is £1,051. As this must be Final Net Capital, or

the Excess of Final Assets over Final Liabilities as shown in Balance Account, it is thus journalised:—

£1,051 Capital Account Dr.

To Balance Account Cr. £1,051.

Journal and Ledger with the Closing Entries passed through the Journal.

EXERCISE 21. Journalise and post the following, test by Trial Balance, draw up Final Balance Sheet, and pass the Closing Entries through the Journal without actually balancing and closing the Ledger. Make out Balance Account also.

Marsden begins business with £900 cash.—Buys horse and van for £70.—Buys Goods for £80 cash.—Sells Goods £45 to Johnson, and draws on him for that amount (open no account for Johnson; debit Bills Receivable, because a Bill has come in; credit Goods).—Buys Goods £78 of Taylor, and sends him Johnson's acceptance and £33 cash. (No account wanted for Taylor; debit Goods; credit Cash and Bills Receivable.)—Cash sales to date £243.—Johnson dishonours his Bill (debit Johnson, he owes Marsden £45; credit Taylor, I owe him £45 for selling him a worthless piece of paper.)—Trade expenses £12 paid.—Taken Goods value £20 for private use (debit Capital; credit Goods; Goods are sold to the owner, Marsden, and debited to his personal account, as to a customer's account if sold to one).—Wrote off 10 per cent. depreciation on horse and van.—Value goods on hand at £50. (debit Valuation account; credit Goods as if sold).—£10 rent due.

D.

JOURNAL.

Cr

£			£
900	Cash, Dr.	To Capital, Cr.	900
70	Valuation, Dr.	To Cash, Cr.	70
	(Horse and Van.)		
80	Goods, Dr.	To Cash, Cr.	80
45	Bills Receivable, Dr.	To Goods, Cr.	45
78	Goods, Dr.	To Bills Receivable, Cr.	45
		„ Cash, Cr.	33
243	Cash, Dr.	To Goods, Cr.	243
45	Johnson, Dr.	To Taylor, Cr.	45
	(Bill dishonoured.)		
12	Profit and Loss, Dr.	To Cash, Cr.	12
20	Capital, Dr.	To Goods, Cr.	20
7	Profit and Loss, Dr.	To Valuation, Cr.	7
	(Depreciation.)		
50	Valuation, Dr.	To Goods, Cr.	50
	(Stock in hand.)		
10	Profit and Loss, Dr.	To Landlord, Cr.	10
	(Rent unpaid.)		

Total
Debits. £1,560

P. P.

Totals agree with those in
Ledger Trial Balance.

£1,560

Total
Credits.

The explanations given in the Journal within brackets are called *Narrations*.

LEDGER.

Dr MARDSEN'S ACCOUNT (CAPITAL ACCOUNT). *Cr*

<i>Against Marsden.</i>	£	<i>In Marsden's favour.</i>	£
To Goods	20		900

PROFIT AND LOSS ACCOUNT.

<i>Losses.</i>	£	<i>Gains.</i>	£
To Cash (Trade Expenses)	12		
„ Valuation (depreciation)	7		
„ Landlord (rent)	10		

GOODS OR TRADE ACCOUNT.

<i>Buying side.</i>	£	<i>Selling side.</i>	£
To Cash	80	By Bills Receivable ...	45
„ Sundries	78	„ Cash	243
		„ Capital	20
		„ Valuation (on hand) ...	50

Dr VALUATION ACCOUNT. *Cr*

<i>Receiving side.</i>	£	<i>Paying-away side.</i>	£
To Cash (Horse, etc.) ...	70	By Profit and Loss (depreci.)	7
„ Goods on hand	50		

CASH ACCOUNT.

To Capital	£900	By Valuation (Horse, etc.)...	£70
„ Goods	243	„ Goods	80
		„ Goods	33
		„ Profit and Loss (Trade Expenses) ... }	12

BILLS RECEIVABLE ACCOUNT.

To Goods	£45	By Goods	£45
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Dr.	BALANCE ACCOUNT.		Cr.
<i>Debit Balances or Credit Equalising Entries.</i>		<i>Credit Balances or Debit Equalising Entries.</i>	
To Valuation	£113	By Taylor	£45
,, Cash	948	,, Landlord	10
,, Johnson	45	,, Capital Account, }	
		Final Net Capital }	
			1,051
	<u>£1,106</u>		<u>£1,106</u>
Excess of Assets over Liabilities ... }		£1,051	

CLOSING JOURNAL ENTRIES.

In Double-Entry Set.		£		£
		200	Goods Account Dr.	
			To Profit and Loss Cr.	200
		171	Profit and Loss Dr.	
			To Capital Account Cr.	171
		1,051	Capital Account Dr.	
			To Balance Account Cr.	1,051
In Single-Entry Set.		1,106	Balance Account Dr.	
			To Valuation Acct. Cr.	113
			,, Cash Account Cr.	948
			,, Johnson Cr.	45
		45	Taylor Dr.	
		10	Landlord Dr.	
		1,051	Capital Account Dr.	
			To Balance Account Cr.	1,106
Total of Closing Entries (Debits).		<u>£3,634</u>	Total of Closing Entries (Credits).	
				<u>£3,634</u>

PRIVATE LEDGER AND TRADE LEDGER.

Sometimes it is desirable that the profits cleared in a business, the Capital contributed by each Partner, and the

drawings by each from Capital, should not be known to the servants of the Firm. This is another way of saying that the Double-Entry Set of accounts must be kept *private*, in a special book, by one of the Partners, or their Manager. This special book is called *the Private Ledger*, and is kept under lock and key. The Single-Entry Set of accounts go in another book called *the Trade Ledger*, open to the clerks. Each book is complete in itself; each is kept by Double Entry. But in the Private Ledger *details* are given of transactions which in the Trade Ledger are spoken of in a general way, simply as Private-Ledger affairs. When one of the Partners, A, draws out £50, and another, B, £30, the Cashier, in crediting his account in the Trade Ledger, enters "By Private Ledger £80," and debits another account opened in the Ledger called *Private Ledger account*, which answers to all the Double-Entry Set of accounts combined. But in the Private Ledger *Book*, Partner A.'s account will be debited £50, and Partner B.'s account debited £30; and if a *Trade Ledger account* be opened in it, that account will be credited £80.

For in the *Trade Ledger*, as the Double-Entry Set of accounts is entirely absent, a general account, representing all of them, is opened, and headed *Private Ledger account*. This comes *first* of all. Whenever any entry would, in an ordinary Ledger, come into Capital account, any Partner's account, Profit and Loss account, or Trade account, that entry must come into Private Ledger account instead. If a Partner named Harvey draws out £30 for private use, Private Ledger account is debited, and Cash account

credited ; if a Partner named Roby advances £500 to the Firm as additional Capital, Cash is debited, and Private Ledger account credited ; if £40 was paid for rent, Private Ledger account would be debited, and Cash credited ; Cash sales £60 would be debited to Cash, and credited to Private Ledger account. But in the Private Ledger *Book* Harvey's account is debited, Roby's credited, Profit and Loss debited, Trade account credited, each with its own amount.

The Private Ledger Book opens with a separate account for each Partner, sometimes with two accounts for each (a Capital account, and a Current account) ; then follows Profit and Loss with any of its subdivisions, then Trade account with any of its subsidiary accounts. Into one or other of these is posted every item entered in the Trade Ledger under the heading Private Ledger account ; and *they appear on the same side in both Ledgers*. The accounts are balanced in the ordinary way, and Final Net Balance, as collected from all the Partners' accounts, must agree with the Excess of Assets over Liabilities in the Trade Ledger. But if it is desired to make the Private Ledger Book complete in itself, so that it can be proved correct without looking at the Trade Ledger, an account is opened at the end of the Private Ledger Book, and headed *Trade Ledger account*, because its items are copied from the Trade Ledger. It is the Private Ledger account *reversed*. It represents in the Private Ledger Book the Single-Entry accounts, and might very properly be headed *Trade Ledger Clerks' summary*. The double of every item credited to Private Ledger account appears on its Dr. side ; all that has

been *parted with* to Partners or as losses appears on the Cr. side. The Private Ledger account in the Trade Ledger Book is copied into the Private Ledger Book, but debits there are made credits here, and credits there debits here. Roby's advance of £500 goes on the Cr. side of Private Ledger account, but on the Dr. side of Trade Ledger account. In Private Ledger Book it is credited to Roby, and debited to Trade Ledger account. The £40 paid for rent is debited in Private Ledger account, but credited in Trade Ledger account; so that in Private Ledger Book it is debited to Profit and Loss, and credited to Trade Ledger account. A double entry is thus provided for every item, and each of the Ledgers is complete in itself, and can be tested independently.

Variations in Private Ledgers.—The above is one of many ways. Some bring into Private Ledger Book not the Double-Entry Set only, but all the Property accounts, leaving only the subsidiary books and the Ledger Personal accounts for the clerks. Others do not bring in the Trade account even. A specimen is given of the simplest plan, by which debits in the Private Ledger account are merely distributed in various accounts on the Dr. side of the Private Ledger Book, and similarly credits, without reversing them in another account, and then reversing them a second time. By the more complex method a Private Ledger Book contains—

1. A Capital account for every Partner.
2. A current account for every Partner.
3. Profit and Loss account with subdivisions.
4. Trade account with subsidiary accounts.

5. Trade Ledger account (Private Ledger account reversed).

6. Balance account showing that the total of all the Partners' Final Net Capital agrees with the excess of Final Assets over Final Liabilities.

EXERCISE 22. Brown and Eagle enter into Partnership—

Brown contributing £2,000, Eagle a warehouse, valued at £800, and £200 cash. They agree to share Profits or Losses in the ratio of their Capitals, and to charge on Capital and withdrawals 5 per cent. per annum interest. During the year they sell Goods for £4,200, and buy Goods for £3,500, cash. Sell Goods £400 to Thompson, and Goods £600 to Rigby. Pay £40 wages, £12 rates, £3 various other Trade Expenses. Thompson fails, and pays 10s. in the £. Rigby settles his account, being allowed £11 discount. At the end of six months Brown withdraws £500 from his Capital, and Eagle increases his by £200. At the close of the year they value Goods left unsold at £900. They write off 10 per cent. depreciation on warehouse, and put aside £100 as Reserve Fund for future bad debts.

Post the above partly in Private Ledger, partly in Trade Ledger; balance and close every account, and show that books prove correct.

TRADE LEDGER BOOK.

D^r PRIVATE LEDGER ACCOUNT. *C^r*

<i>Lessening capital.</i>	£	<i>Capital and additions to it.</i>	£
To Cash	3,500	By Sundries	3,000
„ „	55	„ Cash	4,200
„ Thompson	200	„ Thompson	400
„ Rigby	11	„ Rigby	600
„ Cash	500	„ Cash	200
„ Valuation	80	„ Valuation (Goods on	
„ Provision for Future } Bad-Debt ... }	100	hand)... .. }	900
Balance	4,854		
	<u>£9,300</u>		<u>£9,300</u>
		Balance, £4,854	

D^r VALUATION ACCOUNT. *C^r*

<i>Receiving side.</i>	£	<i>Paying-away side.</i>	£
To Private Ledger ...	800	By Private Ledger } (depreciation) }	80
„ „ „ (Goods } on hand) ... }	900	Balance	1,620
	<u>£1,700</u>		<u>£1,700</u>
Balance brought down, £1,620			

CASH ACCOUNT.

To Private Ledger ...	£2,200	By Private Ledger ...	£3,500
„ „ „ ...	4,200	„ „ „ ...	55
„ Thompson ...	200	„ „ „ ...	500
„ Rigby ...	589	„ Balance ...	3,334
„ Private Ledger ...	200		
	<u>£7,389</u>		<u>£7,389</u>
Balance brought down, £3,334			

THOMPSON'S ACCOUNT.

To Private Ledger ...	£400	By Sundries ...	£400
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<i>Dr.</i>	RIGBY'S ACCOUNT.		<i>Cr.</i>
To Private Ledger	... £600	By Sundries	... £600

RESERVE FUND FOR BAD DEBTS ACCOUNT.

To Balance	<u>£100</u>	By Private Ledger ...	<u>£100</u>
		Balance brought down,	<u>£100</u>
		Future Liability.	

FINAL BALANCE SHEET.

<i>Liabilities.</i>	£	<i>Assets.</i>	£
Reserve Fund for Bad } Debts }	100	Valuation	1,620
Balance, Final Net } Capital }	4,854	Cash	3,334
	<u>£4,954</u>		<u>£4,954</u>
		Final Net Capital, £4,854	

Trade Ledger proves correct, because the excess of Assets over Liabilities in Final Balance Sheet is just the same as the excess of Capital plus additions to Capital over diminutions of Capital in Private Ledger Account.

PRIVATE LEDGER BOOK.

Dr.		BROWN'S CAPITAL ACCOUNT.		Cr.	
Against Brown.				In Brown's favour.	
	£ s. d.				£
To Cash (withdrawal)	500 0 0	By Cash Initial Capital ...	2,000		
„ Profit and Loss (Int. on ditto.)	12 10 0	„ Profit and Loss (Int. on Capital) ...	100		
„ Balance, Brown's Final Net Capital	2,928 10 0	„ Profit and Loss, $\frac{2}{3}$ Net Profit ...	1,341		
	<u>£3,441 0 0</u>		<u>£3,441</u>		
		Brown's Final Net Capital	£2,928 10 0		

D. EAGLE'S CAPITAL ACCOUNT.

C:

*Against Eagle.**In Eagle's favour.*

	£	s.	d.
Balance Eagle's			
Final Net Capital	1,925	10	0
	<hr/>		
	<hr/>		
	£1,925	10	0

	£	s.	d.
By Sundries, Initial			
Capital ...	1,000	0	0
„ Cash (advance)	200	0	0
„ P. & L. (Int. on			
Capital) ...	50	0	0
„ P. & L. (Int. on			
advance) ...	5	0	0
„ P. & L. (½ Net			
Profit ...	670	10	0
	<hr/>		
	£1,925	10	0

Eagle's Final }
 Net Capital } £1,925 10 0

PROFIT AND LOSS ACCOUNT.

*Losses.**Gains.*

	£	s.	d.
To Cash (Trade Ex-			
penses) ...	55	0	0
„ Thompson			
(Bankrupt)	200	0	0
„ Rigby (Discount)	11	0	0
„ Valuation (De-			
preciation) ...	80	0	0
„ Bad Debts (Re-			
serve) ...	100	0	0
„ Brown (Interest			
on Capital) ...	100	0	0
„ Eagle (ditto) ...	50	0	0
„ Eagle (Interest			
on Advance)	5	0	0
„ To Capital, }			
Net Profit }	2,011	10	0
	<hr/>		
	£2,612	10	0

	£	s.	d.
By Brown (Interest			
on withdrawal)	12	10	0
„ Goods (Gross			
Profit) ...	2,600	0	0
	<hr/>		
	<hr/>		
	£2,612	10	0

Net Profit, £2,011 10 0

GOODS OR TRADE ACCOUNT.

<i>Buying side.</i>		£	<i>Selling side.</i>		£
To Cash	...	3,500	By Cash	...	4,200
„ Profit and Loss, }			„ Thompson	...	400
Gross Profit }		2,600	„ Rigby	...	600
			„ Valuation (Goods on		
			hand)	...	900
		<u>£6,100</u>			<u>£6,100</u>
					Gross Profit, £2,600

Brown's Final Net Capital is £2,928 10 0

Eagle's „ „ „ 1,925 10 0

Total, £4,854 0 0

This agrees with the Excess of Assets over Liabilities in Trade Ledger Book. Hence Books prove correct.

A Ledger showing Joint Adventure posted.

(SET BY CIVIL SERVICE EXAMINERS.)

EXERCISE 23. Post the following so as to show the double of every entry, and test the correctness of the posting. As you are not told what Capital Bryan has to trade with, you may assume that all payments are made by cheque, and that the Banker has engaged to advance whatever money may be wanted for this adventure.

Feb. 1. Bryan agrees with Carr to make a shipment to San Francisco of about a thousand pounds worth of Goods— $\frac{1}{3}$ on Carr's account, $\frac{2}{3}$ on Bryan's; the Adventure to be managed by Bryan. (No entry.)

Feb. 3. Bought of Smith, on account of the Adventure, Goods, £506.

Feb. 5. Bought of Brown, on account of Joint Shipment with Carr, Goods, £450.

Feb. 20. Accepted draft of Smith at one month for £506. (Smith, Dr. ; Bills Payable Cr.)

Invoice of Goods shipped to Cameron of San Francisco, per *Jabez Webster*, on account and risk of shippers :—

	£	s.	d.
Goods	956	0	0
Freight	42	12	2
Insurance	28	13	4
Dock dues, etc....	7	11	3
Total	<u>£1,034</u>	<u>16</u>	<u>9</u>

(Debit Joint Adventure account with $\frac{2}{3}$ of this outlay, debit Carr with $\frac{1}{3}$; credit Goods £956, credit Outstanding accounts £78 16s. 9d.)

Paid Brown, by cheque, £450; Insurance £28 13s. 4d.

March 23. Smith's Bill, due this day, paid at Bank. (Debit Bills Payable, credit Bank.)

April 1. Paid Freight on Goods shipped to San Francisco. (Debit Outstanding accounts, credit Bank.)

Sept. 1. Received from Cameron account Sales of Goods per *Jabez Webster*—

	£	s.	d.
Gross proceeds	1,520	10	0
Charges	47	3	9
Commission	38	0	3

(Debit Cameron £1,435 6s. ; credit Joint Adventure $\frac{2}{3}$ of this, credit Carr with $\frac{1}{3}$.)

Oct. 1. Received from Cameron draft on Baring & Co., at seven days' sight, on account of Goods per *Jabez Webster*, for £1,435 6s. (Debit Bills Receivable, credit Cameron.)

N.B.—The Goods bought Feb. 3rd and 5th need not be brought into Goods account, but debited at once to Joint Adventure, and to Carr in the ratio of 2 to 1. Goods account would not then appear.

Bryan's Ledger.

<i>Dr.</i>		PROFIT AND LOSS ACCOUNT.		<i>Cr.</i>		
<i>Losses.</i>				<i>Gains.</i>		
		£	s. d.		£ s. d.	
To Capital,	Net	266	19	6	By Joint Adventure ...	266 19 6
Profit	Profit				(Bryan's share of profit)	
		<hr/>			Net Profit, £266 19 6	

GOODS ACCOUNT.

<i>Buying side.</i>				£	<i>Selling side.</i>				£
To Smith	...	...	...	506	By Joint	Adventure,	and		
„ Brown	...	...	...	450	Carr	...	...	...	956
				<hr/>					<hr/>
				£956					✓

This account may be omitted.

Dr. JOINT ADVENTURE ACCOUNT. *Cr.*
(CONSIGNMENT TO CAMERON OF SAN FRANCISCO.)

<i>Buying side.</i>			<i>Selling side.</i>		
	£	s. d.		£	s. d.
To $\frac{2}{3}$ cost of Goods from Smith & Brown ...	637	6 8	By Cameron, $\frac{2}{3}$ Net Proceeds	956	17 4
„ $\frac{2}{3}$ Charges on this Speculation ...	52	11 2			
„ Profit and Loss (Bryan's Gain on Advent.)	266	19 6			
	<u>£956</u>	<u>17 4</u>		<u>£956</u>	<u>17 4</u>
			Bryan's Gain on the Adventure	£266	19 6

<i>Received.</i>			<i>Paid away.</i>		
	£	s. d.		£	s. d.
To Balance due to Bank	1,027	5 6	By Brown ...	450	0 0
			„ Outstanding Accounts	28	13 4
			„ Bills Payable	506	0 0
			„ Outstanding Accounts	42	12 2
	<u>£1,027</u>	<u>5 6</u>		<u>£1,027</u>	<u>5 6</u>
			Balance due to Bank	£1,027	5 6

BILLS RECEIVABLE.

To Cameron ...	£1,435	6 0	By Balance ...	£1,435	6 0
Balance brought down	£1,435	6 0			

BILLS PAYABLE.

By Bank ...	£506	To Smith ...	£506
-------------	------	--------------	------

D_r OUTSTANDING ACCOUNTS.

			£	s.	d.
To Bank	...	...	42	12	2
„ „	...	...	28	13	4
„ Balance	...	...	7	11	3
			£78	16	9

ACCOUNTS.		<i>C^r</i>		
		£	s.	d.
By	Joint Adventure	42	12	2
	Account, and	28	13	4
	Carr ...	7	11	3
		<u>£78</u>	16	9

Balance brought down	}	£7 11 3
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CARR'S ACCOUNT (CO-SPECULATOR'S).

	£	s.	d.
To $\frac{1}{3}$ cost of Goods from Smith & Brown	218	13	4
,, $\frac{1}{3}$ Charges on specu- lation	26	5	7
Balance due to Carr, Carr's } Profit ... }	133	9	9
	<u>£478</u>	<u>8</u>	<u>8</u>

	£	s.	d.
By Cameron, $\frac{1}{3}$ Net } Proceeds	478	8	8

Balance brought	}	£133 9 9
down, due		
to Carr		

SMITH'S ACCOUNT.

To Bills Payable £506

By Goods £506

BROWN'S ACCOUNT.

To Bank £450

By Goods £450

CAMERON'S ACCOUNT (CONSIGNEE'S).

To Joint Speculation Account,
and Carr ... £1,435 6 c

By Bill Receivable £1,435 6 0

Proof of Books.—Profit and Loss account shows that Bryan has cleared £266 19s. 6d. by the adventure. As he had no Assets and no Liabilities to begin with, and he has made £266 19s. 6d. Net Profit or increase, his Final Assets ought to exceed his Final Liabilities by £266 19s. 6d. The Final Balance Sheet shows that they do.

<i>Dr</i>		FINAL BALANCE SHEET.			<i>Cr</i>	
<i>Liabilities.</i>					<i>Assets.</i>	
		£	s.	d.		£ s. d.
Bank ...	...	1,027	5	6	Bill Receivable ...	1,435 6 0
Carr ...	...	133	9	9		
Outstanding Ac-						
counts ...	...	7	11	3		
Balance, Excess						
of Final As-		266	19	6		
set over Final						
Liabilities						
		£1,435	6	0		£1,435 6 0
					Excess of Final	
					Assets over	
					Final Lia-	£266 19 6
					bilities ...	

BILLS. PARTNERSHIP.

Journal and Ledger with Dates, as required in Business, and in Examinations.

EXERCISE 24. Journalise and post the following; enter all dates both in Journal and Ledger, and give references from one book to the other by numbering each Ledger account and each page of the Journal;

test by Trial Balance, draw out Final Balance Sheet, Profit and Loss Sheet, and each Partner's Capital account.

Roper and Driver are partners, Driver owning $\frac{3}{4}$, Roper $\frac{1}{4}$ of the Capital, and sharing profits in the same ratio. Roper is to be paid £8 a month salary as Manager, this being a first charge against profits. On May 31, their Ledger shows the following balances:—Cash £300, Premises £700, Plant £200, Goods on Hand £400, Bank £1,000, Bills Receivable £300 (No. 18 in Bills Book, Firm on Moses for £250; No. 19, Duke on Hanford for £50); Bills Payable £500 (No. 1, Rogers on Firm, due June 15, for £400; No. 2, Duke on Firm for £100); Johnson's debit Balance is £100; there is a Mortgage on the premises of £500 at 4 per cent. (Note that Bills Payable Balance and Mortgage are Liabilities to be credited.)

June 1. Driver drew by Cheque £50 for private expenses. Moses took up (*i.e.* paid before due) his Acceptance, paying into Bank £245 (debit Bank £245, debit P. & L. £5; Credit Bills Receivable £250, because they part with the honoured bill).

June 10. Johnson sent them his Acceptance for £50 and a cheque for £50 (debit Bank £50, debit Bills Receivable £50 because a Bill has been received by the Firm; credit Johnson £100).

Hanford's Acceptance returned from Bank dishonoured. Notary's charges £1 paid (debit Hanford £51; credit Cash £1, credit Bills Receivable £50 because the Asset

on the Dr. side must be cancelled, as the Bill is now useless).

June 12. Sold Goods £80 to Marston, and received £50 cash, and a Bill for £30 at 3 months (debit Bills Receivable £30 because Firm has received a Bill).

June 18. Our Acceptance honoured at Bank to-day, £400 (debit Bills Payable £400, because Firm receive back their honoured Bill).

They retired (paid before due) Duke's draft on them by a Cheque for £98 (debit Bills Payable £100, because they receive back an honoured Bill).

June 20. Learning that Hanford is declared Bankrupt, they claim from Duke, the Drawer and Endorser, the amount of Hanford's Acceptance, and Costs (debit Duke, credit Hanford).

June 24. Paid £10 interest on Mortgage, £20 salaries, £4 rates, £3 insurance, £3 advertisements; also paid off by cheque the whole Mortgage.

June 25. Roper drew out £20 by Cheque on private account.

June 30. Cash Sales during the month £520. Goods on hand valued at £300 (debit Valuation; credit Goods).

They wrote off 1 per cent. depreciation on Premises and Plant (debit P. & L.; credit Valuation); and allowed £4 interest on Driver's Capital, £2 on Roper's (debit P. & L. £6; credit Driver £4, Roper £2). Roper's month's salary has not been paid, nor Gas Bill, £2, just come in (debit P. & L. £10; credit Roper £8, credit Gas Company £2).

Journal of Roper & Driver.

JUNE 1st, 1896.

Ledger No.	Dr. £		Cr. £	Ledger No.
7	300	Cash, Dr.		
5	900	Valuation, Dr.		
4	400	Goods, Dr.		
6	1,000	Bank, Dr.		
8	300	Bills Rec., Dr.		
10	100	Johnson, Dr.		
		To Bills Pay., Cr.	500	9
		„ Mortgage, Cr.	500	11
		„ Roper, Cr.	500	1
		„ Driver, Cr.	1,500	2
2	50	Driver, Dr.		
		To Bank, Cr.	50	6
6	245	Bank, Dr.		
3	5	Profit and Loss, Dr.		
		To Bills Rec., Cr.	250	8
		—JUNE 10th.—		
8	50	Bills Rec., Dr.		
6	50	Bank, Dr.		
		To Johnson, Cr.	100	10
12	51	Hanford, Dr.		
		To Bills Rec., Cr.	50	8
		„ Cash, Cr.	1	7
		—JUNE 12th.—		
7	50	Cash, Dr.		
8	30	Bills Rec., Dr.		
		To Goods, Cr.	80	4
	3,531	Carried forward	3,531	

Total Debits in Journal.	Ledger No.	Dr. £	JUNE 18th.	Cr. £	Ledger No.	Total Credits in Journal.
	9	3,531 500	Brought forward Bills Pay., Dr.	3,531		
			To Bank, Cr.	498	6	
			Profit and Loss, Cr.	2	3	
	13	51	JUNE 20th. Duke, Dr.			
			To Hanford, Cr.	51	12	
	3	40	JUNE 24th. Profit and Loss, Dr.			
	11	500	Mortgagee, Dr.			
			To Cash, Cr.	540	7	
	1	20	JUNE 25th. Roper, Dr.			
			To Bank, Cr.	20	6	
	7	520	JUNE 30th. Cash, Dr.			
	5	300	Valuation, Dr.			
			To Goods, Cr.	820	4	
	3	25	Profit and Loss, Dr.			
			To Valuation, Cr.	9	5	
			„ Driver, Cr.	4	2	
			„ Roper, Cr.	10	1	
			„ Gas Co., Cr.	2	14	
		5,487	Agreeing with each other, and with Ledger Totals.	5,487		

Ledger of Roper & Driver.

No. 1.

ROPER'S CAPITAL ACCOUNT.

No. 1.

Dr.	£	Cr.	£
June 20. To Bank (Priv. Exp.)	20	June 1. By Sundries	500
		„ 30. „ P. & L. (Int.)	2
		„ „ „ „ (Salary)	8

No. 2. DRIVER'S CAPITAL ACCOUNT. No. 2.

<i>D^r</i>	£	<i>C^r</i>	£
June 30. To Bank (Priv. Exp.)	50	June 1. By Sundries	... 1,500
		„ 30. „ P. & L. (Int.)	4

No. 3. PROFIT AND LOSS ACCOUNT. No. 3.

<i>D^r</i>	£	<i>C^r</i>	£
June 1. To Bills Rec. (Disc.)	5	June 18. By Bills Payable	... 2
„ 24. „ Sundries (Trade Exp.)	... 50		
„ 30. „ Valuation (depr.)	9		
„ „ „ Roper & Driver (Int.)	... 6		
„ „ „ Roper (Salary)	... 8		
„ „ „ Gas Co.	... 2		

No. 4. GOODS OR TRADE ACCOUNT. No. 4.

<i>D^r</i>	£	<i>C^r</i>	£
June 1. To Capital	... 400	June 1. By Sundries	... 80
		„ 30. „ Cash	... 520
		„ „ „ Valuation	... 300

No. 5. VALUATION ACCOUNT. No. 5.

<i>D^r</i>	£	<i>C^r</i>	£
June 1. To Capital (Prem.)	700	June 30. By P. & L. (depreci.)	9
„ „ „ „ (Plant)	200		
„ 30. „ „ (Goods on hand)	... 300		

No. 6. BANK ACCOUNT. No. 6.

<i>D^r</i>	£	<i>C^r</i>	£
June 1. To Capital	... 1,000	June 1. By Driver (Priv. Exp.)	50
„ „ „ Bills Rec.	... 245	„ 18. „ Bills Pay.	... 400
„ 10. „ Johnson	... 50	„ „ „ „	... 98
		„ 20. „ Roper (Priv. Exp.)	20
		„ 24. „ Mortgage	... 500

No. 7.

CASH ACCOUNT.

No. 7.

<i>D^r</i>	£	<i>C^r</i>	£
June 1. To Capital ...	300	June 10. By Hanford (Notary) ...	1
„ 12. „ Goods ...	50	„ 24. P. & L. (Trade Exp.) ...	40
„ 30. „ „ ...	520		

No. 8.

BILLS RECEIVABLE ACCOUNT.

No. 8.

	£		£
June 1. To Capital ...	300	June 1. By Bank ...	250
„ 10. „ Johnson...	50	„ 10. „ Hanford ...	50
„ 12. „ Goods ...	30		

No. 9.

BILLS PAYABLE ACCOUNT.

No. 9.

	£		£
June 18. To Bank ...	400	June 1. By Capital ...	500
" " Sundries	100		

No. 10.

JOHNSON'S ACCOUNT.

No. 10.

	£		£
June 1. To Capital ...	... 100	June 10. By Sundries	... 100

No. 11.

MORTGAGEE'S ACCOUNT.

No. 11.

	£		£
June 24. To Bank ...	500	June 1. By Capital ...	500

No. 12.

HANFORD'S ACCOUNT.

No. 12.

	£		£
June 10. To Bills Rec. ...	50	June 20. By Duke ...	51
„ „ „ Cash (Notary) ...	1		

No. 13.

DUKE'S ACCOUNT.

No. 13.

	£
June 20. To Hanford	... 51

No. 14.

GAS COMPANY'S ACCOUNT.

No. 14.

*D^r**C^r*

June 30. By Profit and Loss 2

D^r

TRIAL BALANCE.

C^r

£		£
20	Roper	510
50	Driver	1,504
70	Profit and Loss ...	2
400	Goods	900

Excess of
Credits, £2,376
(i.e. Initial
Capital plus
Net Profit).

1,200	Valuation	9
1,295	Bank	1,068
870	Cash	41
380	Bills Receivable ...	300
500	Bills Payable	500
100	Johnson	100
500	Mortgagee	500
51	Hanford	51
51	Duke	—
—	Gas Company	2

Excess of Debits,
(i.e. Excess of Assets over
Liabilities), £2,376

Total Debits
in Ledger, £5,487

£5,487

Total Credits
in Ledger.

Agreeing with Totals in Journal.

FINAL BALANCE SHEET.

<i>Liabilities.</i>	£	<i>Assets.</i>	£
Gas Company	2	Valuation	1,191
Balance, Final Net } 2,376		Bank	227
Capital		Cash	829
Roper's, £ 598 }		Bills Receivable ...	80
Driver's, 1,778 }		Duke	51
	<u>£2,378</u>		<u>£2,378</u>
		Roper's Capital, £ 598 }	
		Driver's ,, 1,778 }	£2,376

D^r

PROFIT AND LOSS SHEET.

C^r

<i>Losses.</i>	£	<i>Gains.</i>	£
To Sundries	70	By Sundries	2
„ Capital, Net Profit ...	432	„ Goods (Gross Profit) ...	500
	<u>£502</u>		<u>£502</u>
		Net Profit, £432	

ROPER'S ACCOUNT (CAPITAL).

	£		£
Ju. 25. To Bank (priv. exp.)	20	Ju. 1. By Sundries ($\frac{1}{4}$ Initial Capital)	500
„ Balance, Roper's Final Net Capital	598	„ 30. „ Profit and Loss (Int.)...	2
		„ „ „ Profit and Loss (Salary) ...	8
		„ „ „ Profit and Loss ($\frac{1}{4}$ Net Profit)	108
Net Capital, £618	<u>£618</u>		<u>£618</u>
		Roper's Final Net Capital...	£598

DRIVER'S ACCOUNT (CAPITAL).

	£		£
Ju. 1. To Bank (priv. exp.)	50	Ju. 1. By Sundries ($\frac{3}{4}$ Initial Capital)	1,500
„ 30. „ Balance, Driver's Final Net Capital	1,778	„ 30. „ Profit and Loss (Int.) ...	4
		„ „ „ Profit and Loss ($\frac{3}{4}$ Net Profit)	324
	<u>£1,828</u>		<u>£1,828</u>
		Driver's Final Net Capital...	£1,778

Books prove correct because (1) Journal Totals agree with Ledger Totals in Trial Balance ; (2) the excess of Assets over Liabilities in Final Balance Sheet just equals the two Partners' joint Initial Capital plus Net Profit, as seen in the two Capital accounts.

Profit and Loss account OMITTED until after Trial Balance has been struck.

Examiners sometimes instruct Candidates to open no Profit and Loss account in the Ledger, and leave out in the Journal also the Profit and Loss debits and credits. When Trial Balance is struck the totals will not then agree, debits with credits, except in the rare case in which losses just equal gains ;—*i.e.*, such losses and gains as appear in Profit and Loss account when Trial Balance is taken out, which is before any profits or losses from Trade account, or any of its subdivisions, have been added to it. Suppose the credits both in Journal and Ledger are £50 in excess of the debits when Profit and Loss entries are omitted, then the debit excess of Profit and Loss must be £50. If the total debits exceed the total credits by £20, the credit excess of Profit and Loss must be £20, for the omitted items must make both sides equal. After Trial Balance has been struck, the various amounts that ought to have been debited or credited to Profit and Loss are collected together in a Profit and Loss account, and if its excess is found to agree with the difference between the two sides in Ledger and Journal, books are proved correct. Then the Profit and Loss account is posted in detail and the

Journal made to agree with Ledger by a single entry, or two if preferred ;—*e.g.*, Profit and Loss Dr. £50, to Sundries Cr. £50 ; Sundries Dr. £70, to Profit and Loss Cr. £70, which would accord with the Trial Balance showing an excess of £20 on Dr. side, £20 more being required on Cr. side to make both sides equal. A specimen Journal and Ledger follow, proved in this way, but the Journal is drawn up more compendiously than in the example before given.

Classified and Compendious Journalising.

In journalising we can often group together like transactions and post *totals* instead of many separate items. Examiners forbid posting straight from Waste Book, and require every entry made in the Ledger to have first appeared in the Journal. This, done in the ordinary way, posting every day's transactions separately, takes so much time that none is left for getting out the final results. Time may be saved by journalising in the examination hall, as may be done in the counting house at the end of the month, not from Waste Book but from the various subsidiary books—Cash Book, Bank Book, Sales Book, Purchases Book, etc. Suppose we have a month's transactions to journalise. Beginning with Bank Book, we find £3,000 paid into bank during the month at six different times :—£1,500 for Goods, £500 by Jones, £200 from Bills Receivable, £600 by Cashier, £150 by Robinson, and £50 by Smith. This posted day by day would be twelve entries ; we can reduce them to seven by the entry—

£3,000 Bank, Dr.

To Goods, Cr.	...	£1,500
„ Jones, Cr.	... ..	500
„ Bills Receivable, Cr.		200
„ Cash, Cr.	... ..	600
„ Robinson, Cr.	... ..	150
„ Smith, Cr.	... ..	50

The total must be dated the last of the month ; each separate item must have its own proper date ; every item a reference to Ledger showing where recorded there. The Credit side of Bank account may be similarly dealt with as one total credit corresponding to a large number of debits. Cash Book may have its total monthly debits treated as one ; its credits also as one credit. Purchases Book (Invoice Book) being the Dr. side of Goods account, and Sales Book (Day Book) its Cr. side, these two books, together with Cash Book, will give totals for both sides of Goods account. This kind of journalising cannot be done from an examination paper, in which all the required items are scattered about, so easily as from the subsidiary books in actual business, where the totals are ready for transference.

A still briefer and commoner form of journalising summarises on *both* sides, and makes of the monthly total of each subsidiary book a single debit and a single credit, one of the two representing many items in several *different* accounts. The subsidiary books and the Ledger give the details. Thus the entry for the above would be £3,000 Bank Dr. To Sundries Cr. £3,000, as per Cash and Bank Book for the month, each separate item having been separately credited to its own account in the Ledger.

The accounts posted in Ex. 14, those of a trader beginning

business with borrowed money, are here journalised after the classified method, but by the briefer method would require only three debits and three credits.

<i>Dr</i>	£		£	<i>Cr</i>
	950	Cash, Dr.		
			To Tomkins, Cr.	600
			„ Goods, Cr.	350
	35	Valuation, Dr.		
	200	Goods, Dr.		
	600	Tomkins, Dr.		
	45	Draper, Dr.		
	15	Profit and Loss, Dr.		
	30	Capital, Dr.		
			To Cash, Cr.	925
	50	Valuation, Dr.		
			To Goods, Cr.	50
Total Debits	<u>£1,925</u>	Agreeing with Ledger Totals in Trial Balance.	<u>£1,925</u>	Total Credits

Journal Classified and Ledger with no Profit and Loss account opened until after Trial Balance has been struck.

EXERCISE 25. Monson has, at the beginning of the month, £500 cash, horses and carts worth £150, goods £250, warehouse £800, shop £300.—He sells goods, £180, to Oliver.—Buys of Gregory goods, £350.—Buys for cash goods, £600.—Oliver becomes bankrupt and pays 6s. 8d. in the £.—Monson mortgages his warehouse for £400 at 5 per cent.—Has a horse, valued at £40, killed.—Buys another for £60.—Pays Gregory,

being allowed £10 discount.—Cash sales during month £920.—Goods on hand £350.—Pays trade expenses £10.—Has withdrawn £20 for private expenses.—Make out Journal and Ledger without opening Profit and Loss account till after striking Trial Balance.

<i>D^r</i>		JOURNAL.	<i>C^r</i>
MADE OUT AT END OF MONTH.			
£			£
1,880	Cash, Dr.		
		To Capital, Cr.	500
		„ Oliver, Cr.	60
		„ Mortgagee, Cr.	400
		„ Goods, Cr.	920
600	Goods, Dr.		
340	Gregory, Dr.		
x	— — — — —		
20	Capital, Dr.		
		To Cash, Cr.	970
350	Goods, Dr.		
		To Gregory, Cr.	350
180	Oliver, Dr.		
350	Valuation, Dr.		
		To Goods, Cr.	530
1,560	Valuation, Dr.		
		To Capital, Cr.	1,500
		„ Cash, Cr.	60
x	— — — — —	Dr.	
		To Oliver, Cr.,	120
		„ Valuation, Cr.	40
10	Gregory, Dr.		
		To — — — — —	x
<u>£5,290</u>	Agreeing with Ledger		<u>£5,450</u>
	Totals in Trial Balance.		

The omitted Profit and Loss items are indicated by a cross X and broken lines. The Credit Total is £160 in excess of the Debit Total; to make both totals equal the omitted Profit and Loss Debits must be £160 more than the Profit and Loss Credits.

Ledger with Profit and Loss Account Omitted.

<i>Dr</i>	CAPITAL ACCOUNT.				<i>Cr</i>
	£				£
To Cash (withdrawn) ...	20		By Sundries, Initial Net Capital ...	2,000	

GOODS OR TRADE ACCOUNT.

	£			£
To Capital ...	250	By Oliver ...	180	
„ Gregory ...	350	„ Cash ...	920	
„ Cash ...	600	„ Valuation (Goods on hand) ...	350	

<i>Dr</i>	VALUATION ACCOUNT.				<i>Cr</i>
	£				£
To Capital (Horses, etc.) ...	150	By Profit and Loss (depreciation) ...	40		
„ „ (Warehouse) ...	800				
„ „ (Shop) ...	300				
„ Cash (Horse) ...	60				
„ Goods on hand ...	350				

CASH ACCOUNT.

	£			£
To Capital ...	500	By Goods ...	600	
„ Oliver ...	60	„ Valuation (Horse) ...	60	
„ Mortgagee ...	400	„ Gregory ...	340	
„ Goods ...	920	„ Profit and Loss (Trade Expenses) ...	10	
		„ Capital (withdrawn) ...	20	

Dr

OLIVER'S ACCOUNT.

Cr

To Goods	£ 180		By Sundries	£ 180
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GREGORY'S ACCOUNT.

To Sundries	£ 350		By Goods	£ 350
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MORTGAGEE'S ACCOUNT.

	By Cash	£ 400
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TRIAL BALANCE.

£	20	Capital	£	2,000
x	—	—	—	x
1,200	Goods	1,450		
1,660	Valuation... ..	40		
1,880	Cash	1,030		
180	Oliver	180		
350	Gregory	350		
	Mortgagee	400		
Total	£5,290	Agreeing with Totals	£5,450	Total
Debits		in Journal.		Credits

The Excess of Credits, £160, shows there must be a Debit Excess in Profit and Loss omitted, for this addition would make the two sides equal.

THE OMITTED PROFIT AND LOSS ACCOUNT.

<i>Losses.</i>	£	<i>Gains.</i>	£
To Oliver (Bankrupt) ...	120	By Gregory (Discount) ...	10
„ Valuation (Horse) ...	40		
„ Cash (Trade Expenses) ...	10		
Debit Excess, £160			

Dr FULL PROFIT AND LOSS ACCOUNT, *Cr*
 AFTER PROFIT FROM GOODS ACCOUNT HAS BEEN TAKEN INTO IT.

<i>Losses.</i>	£	<i>Gains.</i>	£
To Sundries	170	By Gregory (Discount) ...	10
„ Capital, Net Profit	90	„ Goods, Gross Profit ...	250
	<u>£260</u>		<u>£260</u>
		Net Profit, £90	

FINAL BALANCE SHEET.

<i>Liabilities.</i>	£	<i>Assets.</i>	£
Mortgagee	400	Valuation	1,620
Balance, Final Net } Capital	2,070	Cash	850
	<u>£2,470</u>		<u>£2,470</u>
		Final Net Capital, £2,070	

When *the whole Profit and Loss account* is to be omitted, the Profit and Loss account proper with all its subdivisions, and the Goods account with all its subdivisions, we are really required to open *two Ledgers*, a *Private Ledger* for the Profit and Loss accounts including the Trade accounts, and *the Trade Ledger* containing all other accounts. An example of this is given in Exercise 22, fully worked out.

JOURNAL ENTRIES,

Selected with a view to explain more difficult
 Postings, including Bill Transactions.

March 1. Digby's cheque for £10 refused payment at his Bank to-day.

I have already credited Digby and debited Bank; I must cancel both entries by an equal entry on the opposite side.

Digby owes me £10 and must be debited. Bank is represented as paying back again £10 just received. I owe Banker £10 for the worthless £10 debited to him. Digby's account and Bank account remain as they were before I received the cheque.

£10 Digby, Dr.

To Bank, Cr. £10

March 5. Bought lease of shop for £100, built warehouse adjoining at an expense of £800, bought horse and van for £60, the whole paid for by cash to-day.

£960 Valuation account, Dr.

To Cash, Cr. £960

Viz. £100 Lease.

800 Warehouse.

60 Horse, etc.

April 6. Smith's Acceptance for £100 due to-day returned from his Banker's dishonoured.

Smith has given me his stamped written promise to pay me £100 at his Bank. His Banker has not enough money belonging to Smith to pay me. The Bill is now dishonoured, and the debt becomes a personal one. Smith owes me £100, and must be debited. My draft on Smith, Smith's Acceptance or stamped written promise, was debited to Bills Receivable account when I received it, as an Asset. That Asset must now be cancelled, for it has been removed to Smith's personal account, and must not appear twice over. I credit Bills Receivable account £100 just as I should do if the Bill had been honoured, but instead of writing By Bank, or By Cash, I write By Smith, meaning

that Smith owes me £100, not my Banker, nor my Cashier.

£100 Smith, Dr.

To Bills Receivable, Cr. £100.

£5 note stolen this week ; at all events mislaid and not to be found.

A dead loss, or diminution of initial Capital, just as much as if I had taken out £5 for private expenses.

£5 Profit and Loss, Dr.

To Cash, Cr. £5.

June 10. The Consignment of Goods I received from Jones, invoiced by him at £180, I have sold to-day for £220, cash ; I charge £18 Commission, and £4 which I paid for carriage.

A Consignment Inwards, Jones's personal account in my books. Take no notice of the £180 Jones values his Goods at. I owe him what I get for them, whether more than £180, or less. He owes me my Commission for selling, and out-of-pocket costs.

£220 Cash, Dr.

To Jones, Cr. £220.

£22 Jones, Dr.

„ Profit and Loss (Commission), Cr. £18.

„ Cash, Cr. £4.

July 3. Found on counting my cash to-night 10s. short of what Cash Balance shows I ought to have.

A loss ; for I am 10s. worse off than my Cash Book declares. I must debit Profit and Loss 10s., and credit

Cash 10s., as though I had paid away 10s. and got back nothing for it.

10s. Profit and Loss, Dr.

To Cash, Cr. 10s.

July 5. I send home for private use Goods from stock invoiced at £5.

This is taking from Capital in Goods instead of Cash. Goods are sold and debited to Owner's personal account.

£5 Capital Account, Dr.

To Goods Account, Cr. £5.

August 3. Thompson, whose account I wrote off last year as a bad debt, paid me in full to-day, £25.

An unexpected piece of good luck to be credited to P. & L. as clear gain, or to Capital account as increase to Capital, rather than ordinary business profit.

£25 Cash, Dr.

To Capital, Cr. £25.

or To P. & L., Cr. £25.

Sept. 1. Make a Consignment of Sugar to Jones, value £200.

Oct. 29. Receive from Jones his *Account Sales*, showing a Net Receipt of £273, after charging on it his Commission and all his Expenses.

Nov. 20. Jones sends me his Acceptance for £273.

A Consignment Outwards, another Goods account; debit what is spent on it, credit what is realised from it. Goods are sold by Goods account clerk to Consignment clerk.

£200 Consignment Outwards, Dr.

To Goods Account, Cr. £200.

£273 Jones, Dr.

To Consignment Outwards, Cr. £273.

£273 Bills Receivable, Dr.

To Jones, Cr. £273.

Dec. 1. Set aside £120 as a *reserve fund for future bad debts*.

This Reserve Fund is to be considered as a future *Liability*, and a dead loss.

£120 Profit and Loss, Dr.

To Reserve Fund Account, Cr. £120.

Dec. 30. Bank charges me £4 interest on my overdrawn account.

A loss for the debit side of Profit and Loss account. I credit my Banker's account because I have now £4 less still at the Bank. The Banker debits my account in his books, I credit his account in my books, for I owe him this besides what I owed him before.

£4 Profit and Loss, Dr.

To Bank Account, Cr. £4.

By Civil Service
Examiners. { Watson, of London, pays by Cheque on Bank of England to Jones, for the honour of Robinson, of Calcutta, a Bill drawn and sold by the latter, in Calcutta, on Brown, and protested by Jones for non-payment, Bill and Costs £830, Watson's brokerage £20 15s. Give the Journal entry which Watson would make in his books.

Brown has given his Acceptance to Robinson; Robinson

has endorsed this Bill and sold it to some one else. In the end it is bought by Jones.

When Jones presents it to Brown for payment, Brown cannot pay. Jones then comes on Robinson, the Drawer and one of the Endorsers of the Bill, and expects him to pay. *Watson pays for Robinson*, and debits Robinson. He does not debit Jones, though Jones receives the money. Jones receives what he has already paid for, £830. Robinson receives the credit of having paid Jones, and must be debited not only with what Jones gets, but also with what Watson charges for lending his money to save Robinson's good name. The brokerage is clear gain to Watson. The Bank of England is Watson's Bank.

£850 15s. Robinson, Dr.

To Bank, Cr. £830.

„ P. & L., Cr. £20 15s.

Jan. 5. I find that Gas account £6 was debited to Profit and Loss last month, when due, and has been again debited to Profit and Loss when paid. What correction must I make without cancelling or erasing?

The proper entry last month would have been

£6 P. & L., Dr.

To Gas Co., Cr. £6.

Supposing this month's entry to be

£6 P. & L., Dr.

To Cash, Cr. £6,

as we have credited Gas Co., we must debit them when our Liability ceases. And as we have put on the Dr. or

Loss side of Profit & Loss £6 too much, we must neutralise the erroneous second entry by crediting Profit and Loss £6. The correcting Journal entry, then, is

£6 Gas Co., Dr.

To P. & L., Cr. £6.

March 25. Paid £150 by cheque for permanent improvements in business premises.

Being *permanent*, they add to the value of my permanent assets, and must be debited to Valuation account, or to a separate Business Premises account. The Bank Asset exists, but in another form.

£150 Valuation (or Business Premises account), Dr.

To Bank, Cr. £150.

March 30. I have set aside £30 as a Repairs Reserve Fund.

July 1. I pay bill for repairs £45, cash.

Ordinary repairs are debited to Profit and Loss. Setting aside £30 as a Repairs Reserve Fund means entering it beforehand as a future but certain Liability by crediting it to that Fund account as if owing to a creditor. When the repairs are done, I find I must debit Profit and Loss £15 more.

£30 Profit and Loss, Dr.

To Repairs Reserve Fund account, Cr. £30

£30 Repairs Reserve Fund, Dr.

£15 Profit and Loss account, Dr.

To Cash, Cr. £45

Notice that the builder's Personal account does not enter my books if his account is paid at once; if it is not, his

Personal account must be credited £45 instead of Cash account, and debited when the cash goes out to pay him.

Aug. 3. Paid £300 for Goodwill of Business in Cork Street, which I mean to carry on by a manager.

If Goodwill be treated as a permanent saleable Asset, it must be debited to Valuation account, or a separate account of its own. If considered too uncertain for that, it must be debited to Profit and Loss as a dead loss.

£300 Valuation account, Dr.,
or Profit and Loss account, Dr.

To Cash, Cr. £300.

Oct. 1. Scott's Acceptance, due yesterday, returned from Bank dishonoured (Bill for £1,300).

Oct. 30. Received from Scott Promissory Note at 60 days, being in renewal of his dishonoured Acceptance. Bill, £1,300; interest on renewal and noting, £25 5s.

£1,300 Scott, Dr.

To Bills Receivable, Cr. £1,300

£1,325 5s. Bills Receivable, Dr.

To Scott, Cr. £1,300

„ Profit and Loss, Cr. 25 5s.

Set by Society of Arts
Examiners. { Jan. 2. Consigned to Abel & Co., of Ceylon, Wine,
value £300.
Jan. 10. Paid Dock Dues on Consignment, £5 11s. 6d.
Jan. 11. Received from Abel & Co., on account of
our Consignment, a Bill of Exchange for £185 10s.
Jan. 12. Paid Insurance on Consignment, £1 5s. 6d.
Jan. 29. Received of Abel & Co. final *Account Sales*
of Consignment to Ceylon. Net Proceeds £320.

A Consignment Outwards; another Goods account in my Books.

£300 os. 0d. Consignment Outwards, Dr.

To Goods account, Cr. £300 os. od.

£5 11s. 6d. Consignment Outwards, Dr.

To Cash, Cr. £5 11s. 6d.

£185 10s. 0d. Bills Receivable, Dr.

To Abel & Co., Cr. £185 10s. 0d.

£1 5s. 6d. Consignment Outwards, Dr.

To Cash, Cr. £I 5s. 6d.

£320 os. od. Abel & Co., Dr.

To Consignment Outwards, Cr. £320 os. od.

Jan. 1. Sharp drew on me for £50 at one month.

Jan. 20. Sharp buys of me Brown's Consignment of Wine for £120, returning to me my Acceptance, and giving me his own Acceptance for £20, a cheque for £30, and £20 cash.

£50 Sharp, Dr.

To Bills Payable, Cr. £50.

£50 Bills Payable, Dr.

£20 Bills Receivable, Dr.

£30 Bank, Dr.

£20 Cash, Dr.

To Brown, Cr. £120.

Railway Co. paid £20 for damage during transit done to my Consignment of Cigars to Moore of Liverpool.

£20 Cash, Dr.

To Consignment Outwards, Cr. £20. (A Goods account.)

Borrowed of British Bank, on security of the title deeds,
£500 at 5 per cent.

£500 Cash, Dr.

To British Bank, Cr. £500.

A Joint Adventure Journalised.

Set by Civil Service
Examiners.

Lee, Watson, and Wills agree to speculate together in equal shares in a shipment of Goods to Hong Kong; Watson to be Manager. The following transactions take place, and are thus journalised in *Watson's* books:—

Jan. 5. Watson buys of Smith, in his own name, and on his own responsibility, Goods invoiced at £990, and charges £49 10s. commission.

£346 10s. Joint Adventure, Dr.

£346 10s. Lee, Dr.

£346 10s. Wills, Dr.

To Smith, Cr. £990.

To Profit and Loss, Cr. £49 10s.

Jan. 17. Lee ships the above Goods, per *Vesta*, consigned to order of Sayle of Hong Kong, on account and risk of Consignees, and pays freight, insurance, etc., £154 18s., and charges £1 18s. 8d. commission.

£52 5s. 7d. Joint Adventure, Dr.

£52 5s. 7d. Lee, Dr.

£52 5s. 6d. Wills, Dr.

To Lee, Cr. £156 16s. 8d.

Watson draws upon Sayle for \$6,550½, and sells the Bill to Hong Kong Bank at 3s. 8d. per dollar for £1,200 18s. 6d.

£1,200 18s. 6d. Cash, Dr.

To Sayle, Cr. £1,200 18s. 6d.

Watson pays Lee by cheque £156 16s. 8d.

£156 16s. 8d. Lee, Dr.

To Bank, Cr. £156 16s. 8d.

June 7. Account Sales of shipment, per *Vesta*, received by Watson from Sayle: Gross proceeds \$8,750, charges \$375, commission \$456. Watson renders account to Lee and to Wills at current exchange of 3s. 10d. per dollar: Gross proceeds £1,677 1s. 8d., charges in Hong Kong £71 17s. 6d., Sayle's commission £87 8s.

£1,517 16s. 2d. Sayle, Dr. .

To Joint Adventure, Cr. £505 18s. 8d.

„ Lee, Cr. £505 18s. 9d.

„ Wills, Cr. £505 18s. 9d.

Feb. 1. Took wine from stock, and paid for it at cost price, £10.

£10 Cash, Dr.

To Trade account, Cr. £10.

I have paid £10 out of *my private purse* to Cashier. If I took it from Cashier's money, and paid it back to Cashier, I did not pay at all, and must debit my own Personal or Capital account £10.

ERRORS. Rules for Preventing Errors.

1. Never leave off in the midst of an entry, or an item may be debited without being credited, or *vice versa*.

2. Compare entries by *calling over* and ticking. One should read the Ledger, the other the Journal or the subsidiary Books, and dot every item found correct.

3. Balance Cash Book every night to see if cash in box agrees with debit balance in Cash Book.

4. Compare frequently the counterfoils of the Cheque Book and the Bank Pass Book with the Bank account in the Ledger; also with that in the Cash Book, if entered there.

5. Require an invoice with all goods purchased, and preserve it in Inward Invoice Book or Purchases Book.

6. Never send out Goods on credit without an invoice, nor without debiting them to the receiver in the Day Book (Credit Sales Book).

7. Correct every error immediately on discovery. Then one enemy at a time has to be grappled with.

8. Never let posting be a mere mechanical copying from the Journal. When posting is done straight from the Waste Book, or the subsidiary books, an error in the Journal is not blindly reproduced, but is much more likely to be discovered.

Common Mistakes in making Entries, and their Effect on the Trial Balance.

1. Omitting one of the two entries; entering a debit without its corresponding credit, or *vice versâ*. Omitting a credit of £30 must make the Total Credits £30 less than the Total Debits.

2. Reversing an entry; debiting Jones when I ought to credit him. Jones pays me £50, and I thoughtlessly debit Jones and credit Cash. These entries, being confined to the Single-Entry Set of accounts, will not affect Final Balance at all. An asset of £50 is booked as due to me

from Jones instead of from my Cashier. There is the same debit and the same credit, but in a different place in the same set of accounts. This error will not prevent the two totals and the two excesses of Final Balance from agreeing. But my Cash account will show *twice* £50 less cash in hand than I have in cash box. Jones's account, on the contrary, will represent him as owing me *twice* £50 more than he actually owes. For the difference between taking £50 out, and putting £50 more in, is £100.

3. Entering twice on the same side ; two debits or two credits instead of a debit and its corresponding credit. Smith sends me a cheque for £10, and I debit both Bank and Smith £10 each. As I have debited Smith instead of crediting him, and the corresponding debit entry is correct, the Total Debits in Trial Balance must be *twice* £10 more than truth requires, *i.e.* £20 in excess of Total Credits ; and the Debit excess in the Single-Entry Set must be £20 more than the Credit excess in the Double-Entry Set. My assets show £20 increase which my Profits do not show.

4. Reversing figures : writing 6s. 8d. for 8s. 6d., or £5 2s. 0d. for £2 5s. 0d. When shillings and pence are reversed, a deficiency or increase of 11d. or some multiple of 11d. results, *i.e.* 11d., 1s. 10d., 2s. 9d., 3s. 8d., 4s. 7d., etc. When pounds and shillings are reversed, the difference between the true and the false amounts is some multiple of 19s. But if the same mistake is made both sides of the Ledger, the Dr. Total and Cr. Total will be equally remote from truth, and Trial Balance will not show up the misposting.

A Lost Cheque.

A Cheque for £20, paid me by Simms, falls into the waste-paper basket and is lost. How ought my books to reveal the loss?

The Cheque should have been sent to Bank, and debited to Bank account the very day it came in. As Bank does not receive it, it is not entered in Bank Pass Book. But in the Ledger, when it was credited to Simms, it ought to have been debited to Bank account. On comparing Bank Pass Book with Bank account in Ledger, it will be seen that the Cheque has not been paid into Bank; and as it is not in cash box, it must have been lost or stolen. Its receipt is recorded in Cash Book, if it has a Bank Column.

Mistaking Names.

On receiving £16 from Rock, I debit Cash £16, but credit Locke instead of Rock. When will this error be discovered?

Not by Trial Balance, for the amount is correct, and on the right side, but in the wrong account. If not discovered on "calling over," it may not be known till either Locke or Rock receives his account from me, or sends in my account to me.

Credit side of Cash Book found to be in Excess of Debit side.

On balancing Cash Book, I find the Credit Total £20 in excess of the Debit Total. What conclusion must I draw?

I cannot have paid away more than I have received. So I must either have put down too much on the Credit side, or omitted some entry on the Debit side. If, however, my Cash Book includes Bank account as well as money at office, my Banker may have allowed me the privilege of overdrawing my Bank account by £20. I may have made out a Cheque for £50, and the Banker cashed it, though I had but £30 in the Bank. The overdrawn Balance is a Liability of mine; I owe the Banker £20.

How to find in What Accounts wrong entries have been made, when Errors somewhere have been discovered by Trial Balance or Closing the Ledger.

1. Find the *difference* between the two Totals in Trial Balance. Say this is £300. Look out every item and transaction where £300 appears. It may be entered on one side only.

2. Look for *half the difference*. Look out every item of £150. One of them debited instead of being credited will make £300 difference.

3. See if the difference is a multiple of 11d. or of 19s.: e.g. 8s. 3d., which is nine times 11d.; £9 10s., which is ten times 19s. If so, it may be due to a reversal of figures, writing 2s. 11d. for 11s. 2d., or *vice versâ*; or £8 18s. for £18 8s., or *vice versâ*. As, however, this mistake may have occurred in a good many items, it may be difficult to trace except by "calling over."

CORRECTIONS IN THE LEDGER.

1. Omissions must be indicated by a cross, $\times$, placed twice in the margin, first where the entry should have been made, and again where it is made.

2. Wrong entries must be cancelled by a light line drawn through them with red ink. But the old entry must be left perfectly legible, and no erasures whatsoever are allowed.

3. When cancelling, too, is forbidden, every error must be rectified by subsequent entries made, both in Journal and Ledger, to make both agree.

Correction of Mispostings when the Journal is correct, by subsequent entries in both books.

The Ledger is found wrong by its totals not agreeing with those in the Journal. To make both Ledger and Journal correct, and agree with each other, not in total only, but in the balance of each separate account, *without cancelling or erasing*, all *omissions* must first be supplied in the Ledger. Generally two entries must be made both in Journal and Ledger, so that (1) both may have the erroneous Ledger entry; (2) both the compensating entry to cancel the error; (3) both the correct entry.

In the Journal—

1. Journalise the erroneous posting to make Journal equally wrong with the Ledger.
2. Make a *compensating* Journal entry correcting the discrepancy caused by the erroneous posting. Journal is now correct again.

In the Ledger—

1. Post correctly what was misposted.
2. Post the compensating Journal entry. Both Ledger and Journal now have (1) misposting; (2) compensating entry; (3) correct posting.

Error 1. I have posted £8 on Dr. side of Goods and Cr. side of Smith, instead of *vice versa*.

Correction—

1. Journalise Goods, Dr. £8.
To Smith, Cr. £8.
2. Journalise Smith, Dr. £16.
To Goods, Cr. £16.
1. Post £8 to Smith's debit and £8 to Goods credit.
2. Post £16 to Smith's debit and £16 to Goods credit.

Error 2. I have entered £20 on Credit side of Bank account, but have not debited Jones with £20.

Correction.—An omission. The Journal being correct, the Ledger is made like it by simply inserting the omitted debit in Jones's account.

Error 3. I have correctly debited £12 to Goods, but *debited* Fussell instead of crediting Russell.

Correction.—Two omissions. I first credit Russell £12 in the Ledger. Ledger and Journal are alike correct now, so far as Russell is concerned. Now complete the erroneous posting, one-half of which is £12 debited to Fussell. As this, if true, would be clear gain, post £12 to credit of Profit and Loss; and journalise
Fussell, Dr. £12.

To P. & L., Cr. £12.

Then correct this by a compensating entry in Journal and Ledger, cancelling the false gain.

P. & L., Dr. £12.

To Fussell, Cr. £12.

Error 4. I have posted £30 to the debit of Brown instead of to the debit of Town.

Correction—

1. Journalise Brown, Dr. £30.
To Cash, Cr. £30.
2. Journalise Cash, Dr. £30.
To Brown, Cr. £30.
1. Post £30 to Town's debit and £30 to credit of Cash account.
2. Post £30 to debit of Cash and £30 to credit of Brown.

Error 5. On the Dr. side of Watson's account, I have posted To Bills Payable £80 instead of £800, and have made the same mistake in Bills Payable account.

Correction—

1. Journalise Watson, Dr. £80.
To Bills Payable, Cr. £80.
2. Journalise Bills Payable, Dr. £80.
To Watson, Cr. £80.
1. Post Watson, Dr. £800; Bills Payable, Cr. £800.
2. Post Bills Payable, Dr. £80; Watson, Cr. £80.

Why not add £720 to the debit side of Watson's Ledger account, and £720 to the credit side of Bills Payable account? Because we should be posting without *first passing the entries through the Journal*. We cannot make the Journal entry Watson Dr. £720 to Bills Payable £720, because the Journal has already the correct full amount.

Error 6. I have posted £10 on Dr. side of Goods account, and Cr. side of Russell's account, instead of posting it to the debit of Valuation account.

Correction—

1. Journalise Goods, Dr. £10.
To Russell, Cr. £10.
2. Journalise Valuation, Dr. £10.
To Goods, Cr. £10.

Post—

1. Valuation, Dr. £10 ; Russell, Cr. £10.
2. Valuation, Dr. £10 ; Goods, Cr. £10.

Correction of Errors in Journalising by subsequent Journal Entries.

Error 1. I have journalised—

Bank, Dr. £20.
To Cash, Cr. £20.

instead of—

Cash, Dr. £30.
To Bank, Cr. £30.

Consider Bank account. It is *debited* £20 instead of being *credited* £30. I must credit Bank £20 to cancel the erroneous debit of £20, and with another £30. The compensating Journal entry is—

Cash, Dr. £50.
To Bank, Cr. £50.

Error 2. I have journalised—

Flowers, Dr. £10.
To Goods, Cr. £10.

instead of—

Cash, Dr. £10.
To Goods, Cr. £10.

Flowers has bought Goods worth £10, and paid for them. His account is closed at once, and need not have been opened. As I have debited him £10, I must credit him £10 to cancel the error. I must debit Cashier because he receives the money.

Compensating entry—

Cash, Dr. £10.

To Flowers, Cr. £10.

Error 3. I have journalised—

Lord, Dr. £59.

To Bank, Cr. £59.

instead of—

Lord, Dr. £95.

To Bank, Cr. £95.

I have not debited Lord enough by £36, nor credited Bank enough by £36.

Compensating entry—

Lord, Dr. £36.

To Bank, Cr. £36.

Error 4. Instead of journalising—

Bills Receivable, Dr. £90.

To Routh, Cr. £90.

I have entered—

Bills Receivable, Dr. £90.

To South, Cr. £90.

South must be debited £90 to cancel the wrong credit given him, and Routh credited £90.

Compensating entry—

South, Dr. £90.

To Routh, Cr. £90.

Error 5. I have journalised—

Rush, Dr. £60.

To Cash, Cr. £60.

instead of—

Cash, Dr. £6.

To Rush, Cr. £6.

Consider Rush's account. We must credit him with £60 to cancel the debit of £60, and then credit him with £6 more. So Cash must be debited £66.

Compensating entry—

Cash, Dr. £66.

To Rush, Cr. £66.

Error 6. I have journalised—

Goods, Dr. £50.

To W. Clive, Cr. £50.

instead of—

Goods, Dr. £150.

To Clive & Co., Cr. £50.

„ W. Clive, Cr. £100.

I must debit Goods £100 more, credit Clive & Co. with £50 of it, and W. Clive with the other £50.

Compensating entry—

Goods, Dr. £100.

To Clive & Co., Cr. £50.

„ W. Clive, Cr. £50.

Error 7. Cash over in Daily Balance.—I find £1 more in Cash Box than my Cash Book shows in its Debit Balance. Supposing this entered in Journal, what correcting Journal entry must I make when the error is discovered? I must put £1 more on the Dr. side of Cash, as though £1 had been given me, and credit Profit and Loss £1.

Compensating entry—

Cash, Dr. £1.

To Profit and Loss, Cr. £1.

Cash short.—I find £5 less in box than Cash Debit Balance shows ought to be there. I am £5 worse off,

have lost £5 somehow. I must consider £5 paid away, and nothing back for it.

Compensating entry—

Profit and Loss, Dr. £5.

To Cash, Cr. £5.

Fraudulent Entries, and the Detection of Defalcations.

1. A clerk receives from Pointer £150, appropriates £100, and enters in Cash Book, Journal, and Ledger £50 only. After these entries have been checked by his master, he alters the £50 to £150 in Journal and Ledger on both sides, so that a true account may be sent out to Pointer. How may his fraud be discovered by the books?

The Cash Book has still the false entry, £50, so its debit balance will be £100 less than that of Cash account in the Ledger.

2. A clerk, when paid £15 by Smith, steals £10, and enters in Cash Book, Journal, and Ledger £5 only. As soon as all three books have been checked, and marked correct, he adds a figure 1 to the left of the 5 on the credit side of Smith's account, changing 5 to 15, fearing Smith's account will be sent in, and Smith's complaint lead to his detection. When will the embezzlement be discovered?

When the first Trial Balance is struck. The Total Credits will exceed the Total Debits by £10.

3. A dishonest bookkeeper, in league with Robinson, a customer of the bookkeeper's employer, from the Journal entry "Goods, Dr. £80; to Prior, Cr. £80," posts £80

to the credit of Robinson to enable the latter to get £80 dishonestly. Prior's account comes in. The bookkeeper then credits Prior's account £80, and debits Goods account £80 over again, entering in Inward Invoice or Purchases Book a list of goods from Robinson never sent. When will this fraud come to light?

Trial Balance will not reveal it, for both totals will be equal. "Calling over" and checking may not, for the thief may chance to have the Ledger to read, and will read it as it ought to be and not as he has falsified it. But Valuation at Stock-taking ought to awaken suspicion, for where are the £80 worth of goods from Robinson?

4. A clerk receives £135 15s. 11d. from Baxter and keeps back £100 10s. 10d. To conceal his theft he enters in Cash Book, Journal, and Ledger £35 5s. 1d. as the amount received. After his books have been checked and marked correct, before Baxter's account is sent out, he makes Baxter's credit in the Ledger correct by placing a figure 1 to the left of the £35, another 1 to the left of the 5s., and a third 1 to the left of the 1d. To increase the debits equally, he alters an item on the Dr. side of goods £24 2s. 1d. to £124 12s. 11d. How may his embezzlement be detected?

(1) The Journal has, on both sides, £35 5s. 1d. where the Ledger has £135 15s. 11d. Hence the Journal Totals will not agree with the Ledger Totals. This shows the value of the Journal as a second check.

(2) A careful comparison of Cash account with Baxter's account, taking the same date, would show that Baxter paid Cashier £135 15s. 11d., but cashier put down as received £35 5s. 1d. only. Such comparison would naturally be made supposing suspicion aroused by cash on hand being short after a heavy payment credited to Baxter.

5. A cashier receives from Taylor £160. Wishing to keep back for the present £100 of it, but to restore it later on, he enters only £60 in Cash Book, Journal, and Ledger. Immediately after the entries have been checked and marked correct, he provides against a false account being sent out to Taylor, or a correct one from Taylor coming in too soon. He alters Taylor's credit from £60 to £160 by prefixing figure 1. Later on, but before the next periodical balance, he puts back the £100 into the Cash Box, crediting it to Taylor in all three Books—Cash, Journal, and Ledger. He then either erases or runs his pen through the figure 1 placed to the left of the £60 in Taylor's account, credit side. Will the Cashier's trick escape detection?

It may, unless all cancelling is peremptorily forbidden. When it is insisted upon that errors of every kind are to be set right in no other way but by subsequent Journal entries, this tampering with books is impracticable.

6. A clerk receives £348 from Stephens, but debits Cash account, and credits Stephens's account with £48 only, misappropriating £300. After his Cash Book and Ledger have been checked and passed as correct, he alters both debit and credit to £348 by prefixing a figure 3. And to remove suspicion arising from his having so little cash in hand, he debits Roberts with £300 cash, and refers to a certain page in his Cash Book, where, however, no such credit is recorded, for no such payment was in fact made. When may his defalcations be discovered?

(1) If Roberts' account should be sent out, or if Roberts sends in his account before taking out Trial Balance, an error of £300 against Roberts will appear, and there will be found no credit corresponding to this debit.

(2) If Trial Balance be taken out first, the Debit Total will exceed the Credit Total by £300, for the amount debited to Roberts has no corresponding credit entry.

SHORT SIMPLE EXERCISES,

Containing neither Bills nor Subsidiary Accounts.

FULL FINAL BALANCE SHEETS ARE GIVEN AT THE END OF THE BOOK, AND BRIEF HINTS AT END OF EXERCISE, WHEN REQUIRED.

Post the following into the Ledger, test by Trial Balance, and from it draw up a Final Balance Sheet, and Profit and Loss account, without closing any account in the Ledger. Then close the Ledger, and show the same final results.

N.B.—In every case the value of Goods remaining unsold must be credited to Goods account *as if sold*, and debited to Valuation account *as a Final Asset*, before taking out Trial Balance. But this Double Entry must be *pencilled in*, because it must be rubbed out, if additions are made to the Ledger account, and the Ledger not then closed.

Caution! Buying does not imply paying cash; selling does not imply being paid cash. In recording my purchases, if I mention no creditor's *name*, I pay cash. In recording my sales, if I mention no debtor's *name*, I am paid cash. But if I give a name in either case, no money changes hands unless I expressly say so.

EXERCISE I. Began business with £700.—Bought horse and van for £80.—Purchased Goods for £65.—Purchased from Andrews Goods invoiced at £50.—Sold Watts Goods £15.—Cash sales during month £200.—Paid rent £20.—Goods left unsold £10.

EXERCISE 2. Commenced trading with Cash £300, horse and van £80, business premises £420, at Bank £400.—Bought of Richards, *for Cash*, Goods invoiced at £72 (open no account for Richards).—Sold Goods £48 to Samuels for Cash (open no account for Samuels).—Bought of Stephenson Goods £25.—Sold Goods to Robins £28.—Sent £50 to Bank.—Paid £20 rent.—Robins failed, and paid 10s. in the £.—Banker allowed me £2 interest on my deposit.—Cash sales for month £92.—Paid Stephenson by cheque.—Goods on hand valued at £129.

EXERCISE 3. On reopening books, I owe Johnson £20, Swift owes me £100, I have £240 cash, horses and vans worth £120, Goods £60.—I settle with Johnson, he allowing me £1 discount.—I buy from Norton Goods £56.—Ready money sales £108.—Write off 10 per cent. depreciation on horses and vans.—Valuation of Goods left unsold at close of Books £100.—Withdraw for private use £10.—Horse valued at £46 dies.—Swift settles with me, and I allow him £3 discount.

EXERCISE 4. Began the year with £250 at Bank, and £80 at Office ; I owe Andrews £100, James owes me £65, I have Goods worth £38. During the month I sell Goods for £120, buy Goods for £90 ; James absconds, and I write off his account as a bad debt ; I pay Andrews £30, lend Samuels £50, and value Goods on hand on Jan. 31st at £80.

EXERCISE 5. Began the year with £300 Cash, Goods worth £70, shop and warehouse valued at £500,

horses and vans at £150; Johns owes me £25; I owe Peters £35 and Phillips £45. During the year I sell Goods for £925, and lay out on Goods £750; pay as rent, rates, and taxes £24, as wages £60; Johns fails and pays 16s. in the £. I pay Peters and Phillips; write off 10 per cent. depreciation on warehouse, horses, and vans, and value Goods on hand at £120.

EXERCISE 6. Began horse-dealing with £500 Cash, and a horse worth £120. Bought horses for £360, sold horses for £520, paid for stabling and provender £52, have left unsold two horses worth £60 each, have paid stable boy £12, and withdrawn from Capital for private expenses £25. (Horses go into Goods account, not into Valuation account, except those on hand at close.)

EXERCISE 7. I have, January 1st, Cash £300, a ship worth £2,000, cargo valued at £750. I insure vessel and cargo at full value, paying £65 premium; pay for harbour dues, etc., £10; receive for freight and passengers' fares £42, and pay £87 working expenses. The vessel founders at sea, and the Assurance Co. pays me, but my agent charges me £2 commission. (Ship account here is Goods account. Note the Net Loss instead of Net Gain.)

EXERCISE 8. On March 1st I have Goods £90, at Bank £150, cash at shop £35; Morgan owes me £28; I owe Edwards £65, and Jones £45. I draw £80 from Bank; sell Goods for £200, lay out on Goods £120, receive from Morgan a cheque for £20, send Edwards and Jones cheques to settle their accounts, and sell Swift Goods £15. I pay £10 rent, and £3

office expenses. My unsold stock is worth £30.
(Notice the *overdrawn Bank Balance*.)

EXERCISE 9. Reopening Books, I find I have £200 at Bank, £20 at office, Goods worth £90; I owe Goodwin £15, and May £300. I sell Goods for £180, withdraw all my money from Bank, buy Goods for £100 cash, and Goods from May £150. I pay May £50; withdraw £30 to live upon; pay £10 rent, £5 trade expenses, and value Goods on hand at £70. (Note that there is an Initial Deficit, and the insolvent trader gets more insolvent.)

EXERCISE 10. I have cash £300, Goods £500, warehouse £800, horses and carts £120; Toms owes me £50; I owe Sidney £130. I pay clerk's salary £25, rent £15, office expenses £8. I sell Goods for £820 cash, spend on Goods £170, and settle Sidney's account. Toms absconds, and I write off his account as a bad debt; I also write off 5 per cent. depreciation on warehouse, horses and carts, and value stock in hand at £50.

EXERCISE 11. On reopening books, I owe Daniels £250, Wiseman owes me £80, Roberts £60, Turner £120, I have £300 cash, Goods worth £200, horse and van worth £120. I sell for cash Goods £380, buy Goods for cash £220, pay £20 rent, £12 for repairs, £5 office expenses; draw out £20 for private use, value Goods left unsold at £80, write off 10 per cent. depreciation on horse and van. Wiseman fails and pays but 2s. 6d. in the £; Turner too, and pays 5s. in the £; Roberts pays in full.

EXERCISE 12. On September 1st I have coals worth £200, horses £300, carts £40, Cash £20. During the month I sell for cash coals £420, and pay £80 for coals; pay for repair of carts and keep of horses £15, for wages £30, for rent £35. At the end of the month I have coals left worth £150; have withdrawn £25 to live on, and have written off 10 per cent. depreciation on horses and carts. (A coal merchant's Ledger. Coals come into Goods account; horses and carts into Valuation account.)

EXERCISE 13. My affairs were as follows at the beginning of the year:—Goods £35, Cash at Bank £150, at office £25, horse and van £60; Toms owed me £90, I owed George £30. During the year I sold Goods for Cash £85, and bought Goods for Cash £20; paid George's account, being allowed £1 discount; Toms settled his account, and I allowed him £2 discount; I withdrew £120 from Bank; I paid £12 rent, £2 taxes, £4 other trade expenses; took out of Capital £20 to live on; wrote off 10 per cent. depreciation on horse and van; valued Goods left at £30.

EXERCISE 14. I have £200 at Bank, £3 at office, Goods £200, trade plant (barrels, bottles, corks, horses and drays) worth £340; Smith owes me £70, Brown £50, Jones £100; I owe James £60. My cash sales amount to £240; cash purchases to £110. Jones buys Goods £80, Smith Goods £120. I take £180 out of Bank, pay James, write off 10 per cent. depreciation on trade plant; value Goods unsold at £160. † Jones failing pays 5s. in the £; Smith absconds

and I write off his debt a total loss. £30 falls due to-day for rent.

EXERCISE 15. At commencement I have Cash £20, at Bank £200, Goods £80; Phillips owes £70, James £30; I owe Roberts £120. I withdraw from Bank £170, spend on Goods £180, sell Goods for £250, pay £30 for rent, pay Roberts his account less £3 discount; Phillips pays his account less £2 discount; James is declared bankrupt and pays 6s. 8d. in the £. I have Goods on hand worth £85. I owe my clerk £15, and some sundry trade charges £5.

EXERCISE 16. My affairs were thus on Jan. 1st: Bank Balance £200, Cash £60, Goods £40; Roberts's Credit Balance was £30, Jones's debit balance £50, Smith's debit balance £80. Spent on Goods £30. Received £80 for Goods. Goods left now unsold £100. Jones's debt written off as bad. Smith fails and pays 5s. in the £. I pay £10 rent. Take out £20 for private expenses. Pay Roberts, receiving £1 discount for prompt payment.

EXERCISE 17. Began the month with £500 in Bank, £20 at office, horse and cart worth £30, Goods £100; Jones owed me £10, I owed James £5. Cash sales during month £40. Cash purchases £18. Jones's debt is written off as worthless. 10 per cent. depreciation on horse and cart is written off. Stock on hand valued at £120.

EXERCISE 18. My affairs are as follows on reopening books: Goods on hand £85, Cash at home £15, at Bank £240; Peters owes me £28, Roberts £16;

I owe French £64; trade plant is valued at £120. During the year I pay away for Goods £312, and receive for Goods £518. I buy of French Goods £80, and sell Peters Goods £26. Roberts's debt is written off as bad. I withdraw from Bank my whole deposit, and borrow £60 from the Bank, for which I am charged £3 interest. I write off 5 per cent. depreciation on trade plant, and charge 5 per cent. interest on Capital as a first charge against profits.

EXERCISE 19. On Dec. 31st I had £25 Cash, £300 at Bank, Goods £35, horse and van £55; Smith owes me £85; I owe £20 for rent, £15 to clerk, £5 to Gas Co. During the year I have taken for Goods cash £260, and have paid for Goods cash £128. For household expenses I have taken out of Capital only £24. Bank allowed me £9 interest on my deposit. I paid clerk and landlord; also paid £10 repairs. £5 for rates falls due, but is still owing. Smith, being bankrupt, pays only 4s. in the £. £3 fire assurance is paid. Goods on hand I value at £70. Write off 20 per cent. depreciation on horse and van. Charge upon profits 5 per cent. interest on Capital. Another gas bill comes in, £4.

EXERCISE 20. These are my balances on reopening books: Bank £450, Cash £150, Machinery £250, Ship *Lucy* £1,200, Goods £50; Charles's debit balance is £80; there are sundry Liabilities amounting to £280. I receive £986 for Goods sold, and lay out on Goods £725; pay £48 insurance, £10 for dock dues, etc. The vessel is lost at sea, and I am

paid the amount assured for, £1,350. I pay £125 in wages and salaries, allow 10 per cent. depreciation of machinery, and charge 5 per cent. interest on net Capital. Charles fails, and pays but 1s. in the £. Rent falls due, £28; also clerk's salary, £18; and rates and taxes, £4. Bank allows me £3 interest on my deposit. Value Goods on hand at £120.

EXERCISE 21. Began with Cash £200, Goods £100; Jones owed me £60, I owed Smith £40.—Sold Goods for £220.—Bought Goods for £150.—Have, at close of books, Goods worth £130.—Paid Smith £10.—Received from Jones £30.—Pay £20 rent.—Take out £15 for private expenses.

EXERCISE 22. At the opening of books, I had Cash £100, at Bank £500, Goods £50; Roberts owes me £20, I owe James £30. I draw £400 from Bank, sell Goods for £300, pay £600 for Goods, and have Goods on hand worth £450. Roberts's debt is written off as worthless; I pay James £10, and my clerk £20, and take £25 out of the business for private expenses.

EXERCISE 23. The Balances in my last month's Ledger were these:—Cash £80; horses £200; Edwards's Debit Balance was £50; George's Credit Balance was £10. During this month I have bought horses for £60, sold horses for £90, and have on hand horses worth £50. Edwards failed, and paid me but 10s. in the £. I have taken out of Capital for private use £10, and paid £5 trade expenses. (Horse account is Goods account.)

EXERCISE 24. Began business with £200 cash.—Bought goods for £100 and horse and van for £80.—Sold Hume goods, £100.—Bought goods of Duncan, £20.—Hume's debt has to be written off as bad.—Paid £20 rent.—Cash sales £60.—Sold goods to Drew, £40.—Paid £10 trade expenses.—Borrowed of Loan Bank £100 at 5 per cent.—Took £70 out of Capital to live upon.—Goods left unsold, £10.—Wrote off £10 depreciation on horse and van. (Notice the debit excesses where credit excesses usually are in the Double-Entry Set of Accounts.)

MORE DIFFICULT EXERCISES,
Containing Bills, Partnerships, Consignments,
etc.

EXERCISE 25.—Bills. On Dec. 31st my Ledger showed the following Balances:—Cash, £150; Bank, £450; Valuation, £300; Bills Receivable, £480; Bills Payable (a Credit Balance), £560; Gibbs' Credit Balance is £50; Robson's, £60; Silver's, £70; Haines' Debit Balance is £120; Goods on hand, £48. Haines sends me his Acceptance for £120. I buy of Rush Goods, £200, and he draws on me for £200 (open no account for Rush). Gibbs draws on me for £50. I buy Goods, £60, of Robson, and send him my Draft on Haines for £120. Watts dishonours his Acceptance for £480, and I am put to £1 expense—travelling and lawyer's charges. Cash sales £232. Send Goods, £70, to Silver. Put £360

in Bank and take up all my Acceptances there (*i.e.*, pay the sums named on the Bills Payable). Bridge buys Goods, £80, and I draw on him for that amount. I sell Bridge's Acceptance at the Bank for £79. Bridge dishonours his Bill, and I pay £1 travelling and legal expenses owing to this. Value Goods on hand at £150.

EXERCISE 26.—*Bills*. On opening Books I have Cash £600; Goods, £250; trade plant, £180; business premises, £1,400; I hold Levy's Acceptance for £250; I owe George £730; and have myself given two Acceptances, one for £150, the other for £50; Morris owes me £250. Morris sends me a Bill in his favour, accepted by George, for £250. I endorse this Acceptance of George's and send it to George in part payment of what I owe him, and send him at the same time Levy's Acceptance, also endorsed. I buy Goods for £300 and sell Goods for £980. I retire my two Acceptances and am allowed £8 discount. Sell Goods, £230, to Morris, and draw on him for that sum (no account to be opened for Morris). £20 rent falls due, £5 rates, clerk's salary £15 (credit Outstanding accounts). Goods remaining unsold £140. Morris dishonours his Acceptance (debit Morris). Write off 5 per cent. depreciation on premises and trade plant. Reckon 2 per cent. interest on Capital as a first charge against Profits. I have withdrawn £140 for private uses.

EXERCISE 27.—*Partnership and Bills*. Pratt and Drew are partners, the former contributing one-fourth, the latter three-fourths of the Capital, and sharing Profits

or Losses in the same ratio. In addition to their ordinary business they have a Ship account, and for attending to this Pratt is to receive a salary of £100 a year as the first charge on Profits. On Jan. 1st this is the position they are in:—Gregory owes them £500, they owe Graham £250; they have Goods £720, Cash £578, at Bank £950; they hold a Bill drawn on Gough for £200; they have given Acceptances for £250 (a Liability); their trade plant is valued at £240. They spend on Goods £225 and sell Goods for £1,050; they have Goods worth £650 at close of books. Gough dishonours his Bill and they pay £1 expenses on it. They retire their own Acceptances, paying £249. Gregory sends them a cheque for £100, £200 cash, and they draw on him for the rest of his account. They send Graham Gregory's Acceptance, a cheque for £46, and are allowed £4 discount. They buy a vessel for £1,000 and pay by cheque, lay out on cargo £450, and pay for wages and dues £150. They insure vessel and cargo for £1,400, paying £15 premium. They receive for freight and passengers' fares £60. The vessel founders and the insurance is paid. They write off Gough's account as a bad debt and 10 per cent. depreciation on trade plant. Pratt draws his salary (debit Profit and Loss, credit Cash; does not come into Pratt's account). Treat Ship account as a second Goods account.

EXERCISE 28.—*Partnership*. Hughes and White enter into partnership, Hughes having £1,000, White £2,000. Profits to be shared in the same ratio. They

spend on Goods £1,850, and receive for Goods £1,950; at close of books they have Goods on hand valued at £300. Hughes withdraws for private expenses £100, and is charged £3 interest; White withdraws £200, and is charged £6 interest. They charge against profits 3 per cent. on their Capital.

EXERCISE 29.—*Partnership.* Driver and Berry own equal shares in a business. Their opening assets are Goods £500, Cash £600, Roberts £200, horses and trade plant £700. Their receipts for Goods are £2,000, their outlay on Goods £800; their stock remaining unsold at close of books is worth £300. Roberts fails, and pays 10s. in the £. They lend £100 to Smith; he absconds, and his debt is written off as bad. Their trade plant, insured for £100 only, is damaged by fire to the extent of 40 per cent. of its value; the Insurance Office pays the amount insured for. There is owing £20 rent, £10 rates, £30 wages. One of their horses, valued at £60, dies.

EXERCISE 30.—*Partnership.* Ayres has £2,000 cash, and Goods £1,000; Dobson has Goods £500, premises £500. They become partners, and agree to share profits in the ratio of 4 to 1. They pay £20 premium to insure their Goods and premises for £800. They lay out on Goods £120, and receive £900 for Goods sold. They buy of Gough Goods invoiced at £200, and are allowed £10 discount for prompt payment. Ayres draws out £30 for private expenses, and is charged £5 interest. Goods on hand on closing books valued at £1,100.

EXERCISE 31.—*Partnership. Two Goods accounts, Consignment Outwards (a third Goods account).* Brown, Green, and Olive are partners, sharing profits in the same ratio as capitals. Brown has Cash £2,000; Green business premises worth £3,000, and wine £1,000; Olive has a ship worth £4,000, and spirits worth £2,000. They keep separately their Wine account, and their Spirits account. On wine they spend Cash £1,200, and receive for sales Cash £1,800. They purchase spirits for Cash £1,400, and sell for Cash £3,000. To Lane they sell wine £500, and draw on him for that amount at one month. They put on board the vessel, from their own stock, wine £800, and pay £20 premium to insure vessel and cargo for £5,000; pay also £80 trade expenses. The ship is lost, and the sum insured for paid, but agent charges £10 commission. From their own stock they consign spirits £800 to Bird of Liverpool, and receive £920 as net proceeds. Lane dishonours his acceptance, and puts them to £1 legal and travelling expenses, paid at the time. At close they have on hand wine worth £500, spirits £600. Allow 10 per cent. depreciation on premises, 5 per cent. interest on Capital, and credit Brown with £100 salary as acting manager, before sharing profits.

EXERCISE 32.—*Partnership. Contracts.* Rice, Jevons, and Mason enter into partnership, and agree to divide profits or losses equally. At the outset, Rice has £900 cash; Jevons £100 cash and business premises worth £1,000; Mason has building materials £500, and trade plant £500. They contract to build a

bridge for £1,500, spend £400 on wages, £850 on material, and £50 on miscellaneous requirements, and receive the sum agreed upon. On a second contract they spend £800, and receive £1,300. To Robins they sell building materials £400; he fails, and pays only 1s. in the £. They have building materials on hand worth £300. A portion of the premises, valued at £300, but uninsured, is burnt down. They borrow £1,000 of the Union Bank, but repay it with 5 per cent. interest. They write off 1 per cent. for depreciation of premises and trade plant.

EXERCISE 33.—*Partnership. Three Trade accounts.* In posting the following, treat each Partner as a customer lending his money to the Firm, credit each with his own share of profits, and show Final Liabilities just equal to Final Assets; Capital and Profits being booked as Liabilities which the Firm owes to the Partners on closing books.—Burton, Chard, and Duke are a Firm of shipowners. Burton holds two shares, Chard three, Duke seven. They share profits or losses in the same ratio; but Burton is paid £100 salary as acting manager before profits are shared. At the beginning of the year, they own three vessels, *Fairy*, *Princess*, and *Elf*, worth respectively £3,000, £4,000, and £5,000, each insured at £200 above the value of the ship, as no cargo is insured; they have Cash £2,400. They lay out on cargo, wages, food, etc., for *Fairy* £450, and receive in fares and freight £120, and proceeds of sale of cargo £800. On *Princess* they spend £700, and receive £970; on the *Elf*

£800, and £1,420 is received. On the homeward voyage *Fairy* is wrecked; the insurance is paid promptly. They write off 5 per cent. depreciation on their other two vessels; pay £100 trade charges; credit each partner with 5 per cent. interest on his Capital, and pay Burton's salary. (Burton's account need neither be credited nor debited; debit Profit and Loss, and credit Cash, just as when a clerk is paid.)

EXERCISE 34.—*Partnership, Contract, Consignment Outwards, ditto Inwards, Bills.* Bryant, May, and Rose are partners, owning equal shares and dividing profits equally. On reopening books, they have Goods £500, business premises £2,000, Cash £900, and Reeves's Acceptance for £600; they have spent £200 on an Open Contract, and £500 on an Open Consignment to Odessa (these last two items are Assets, like Goods bought but not sold); their sole Liability is their acceptance for £200. They spend £800 on Goods, and receive for Goods £1,300. Reeves dishonours his Bill, and later on is declared bankrupt, and pays 3s. 4d. in the £. On the Contract they lay out £150 more, and receive on account of it £500. Their agent in Odessa forwards them an "Account Sales" showing net proceeds, after paying his commission, etc., on the Consignment, £600. Roberts of Cardiff consigns to them Goods which he invoices at £160, but they sell for £150 gross; they spend £20 for dock dues, cartage, etc., and charge £6 commission. They settle with Roberts by their Acceptance for the amount due to him at one month.

Their warehouse is burnt down, and all the Goods on hand, just valued at £900, totally destroyed; nothing insured. Each Partner has drawn out £30 to live upon during the month.

EXERCISE 35.—*Partnership, Subsidiary accounts.* In posting the following, open separate accounts for Tea and Coffee; give Trade Expenses a separate account, keep Bad Debts and Discounts each apart, and separate from other profits and losses; open an account for Business Premises, and another for horses and vans apart from other items of Valuation account; open also a Petty Cash account from which to pay all amounts under £5.—Brown and Green are partners, Brown owning $\frac{2}{3}$, Green $\frac{1}{3}$ of the Capital, and sharing profits in the same ratio. On January 1st, their affairs were as follow:—Addison owes them £200, Bence £300, Creed £400; they owe Drake £80, Engel £100, Friar £120. They have Cash £2,000, horses and vans £200, Business Premises £800, Plant and Fixtures £80, Tea £150, Coffee £250. During the year, on Tea they lay out £650, on Coffee £750. Their receipts for Tea are £1,200, for Coffee £1,600. On closing books, they have on hand Coffee £250, Tea £150. They settle Drake's account, being allowed £2 discount; Engel's, and are allowed £3 discount; Friar's, and are allowed £4 discount. Addison fails and pays but 5s. in the £; Bence too, and pays 6s. 8d. in the £. Creed absconds, and his debt is written off as bad. They pay £20 rent, £10 rates and taxes, £5 gas, £5 wages; buy a horse for

£60; write off 10 per cent. depreciation on business premises and on horses and vans. £10 has been advanced to Petty Cash, and £8 spent on stamps, stationery, and sundries. Brown has withdrawn on private account £120, Green £60.

EXERCISE 36.—*Auctioneer's Ledger. Consignments Inwards (Consignors' personal accounts in Consignee's books).* Tewson begins business as an Auctioneer and House Agent with £500 Cash, office furniture £50, Horse and trap £50. He receives Goods from Adams, spends £4 on them, charges £10 Commission, and the gross proceeds of sale are £200. Barrow sends him Goods which he sells for £450 gross; on these he spends £25, and charges £20 Commission. Cameron consigns Goods to him which fetch £60 at the auction; he charges 5 per cent. commission on sales. He sells houses for Duke for £4,800, on which he gets 10 per cent. commission. He settles with Adams, Barrow, Cameron, and Duke, and pays £20 rent and other trade expenses on his own account. (No Goods account need be opened; commission goes on Cr. side of Profit and Loss account, Tewson's own expenses on Dr. side.)

Civil Service Examination Paper.

TRIAL BALANCE AND FINAL BALANCE SHEET ARE GIVEN
AT THE END OF ANSWERS TO EXERCISES.

On Jan. 1, 1890, the affairs of Dale & Co. stand as follows :—

They are debtors on their own Acceptances £1,219 6s. 6d.;

to Bird £128 14s. ; to Aveling £435 15s. 3d. ; to Seymour £500. [Liabilities.]

They are Creditors to the Bank £820 4s., and to Newman £320. They hold Acceptances amounting to £1,025, their Goods on hand are worth £2,500, and there is Cash in the office £35. A shipment of Goods, £533, has been made to Sheppard of Calcutta, for Dale & Co.'s sole account. (Debit Shipment account.)

Take out a Trial Balance, and from it find Net Capital at close, taking Goods then on hand as worth £1,300. All cheques pass through the Bank the day they are written or received by Dale & Co.

TRANSACTIONS.

1890				£	s.	d.
Jan.	2.	Bank paid our Acceptance	...	219	6	6
,,	5.	Accepted Seymour's Draft for	...	250	0	0
,,	5.	Bought Goods from Bird	...	340	0	0
,,	8.	Shipped to Mayor of Bombay, per Ship <i>Clive</i> , on Joint account, Goods	...	1,000	0	0
,,	8.	Paid Freight of Goods £16, and Insurance Pre- mium £10, insuring them for £1,200 ...	...	26	0	0
The Profits or Loss on this Venture to be shared between us and Mayor in the ratio 2 to 1.						
,,	13.	Received from Newman cheque for	...	100	0	0
,,	15.	Sold Goods to Aveling	...	232	18	4
,,	18.	Letter received from Seymour asking us to remit them £200 in Bills at 10 days' sight, and to transfer the Balance of their account, under advice, to Newman. This we do, purchasing Bills from Bank.				
,,	22.	Bank collected Oliphant's Acceptance	...	425	0	0
,,	24.	Paid by cheque for office repairs	...	34	16	2
Received from Sheppard of Calcutta advice of sale of our Shipment on sole account, together with Bill for Net Proceeds						
				584	14	2

Jan. 25.	Discounted at Bank the Bill received from	£	s.	d.
	Sheppard, Discount	3	17	8
,, 26.	Bank paid our Acceptance, No. 44	700	0	0
,, 30.	Sold Goods to Aveling	300	0	0
Feb. 5.	A portion of the Goods sold to Aveling on			
	Jan. 15 being damaged when received, we			
	admit their claim for £23 17s. 2d., and claim			
	for the amount on Bird, from whom the Goods			
	were bought. Claim allowed, and entries			
	made at same time	23	17	2
,, 6.	Received advice of the loss of the Ship <i>Clive</i> .			
,, 10.	Bought Goods from Newman	150	0	0
,, 11.	Received from Newman cheque to close his			
	account	17	17	6
	Discount allowed him	2	2	6
,, 12.	Bank returned to us Fox's Acceptance, due this			
	day, which was not honoured, debiting us with			
	the amount, as the Bill had been discounted	300	0	0
	Protested the Bill. Paid notarial and other			
	charges in cash	2	10	0
,, 13.	Received from Fox for his dishonoured Bill his			
	Acceptance at three months for	200	0	0
	And cheque (including £3 10s. interest) ...	106	0	0
,, 15.	Received from the Underwriters the Insurance			
	on the Shipment per <i>Clive</i> , cheque for ...	1,200	0	0
,, 18.	Sold Goods to Aveling	213	12	3
,, 23.	Bank paid our Acceptance, No. 45	250	0	0
	And collected Armitage's Acceptance due to-day	300	0	0
,, 27.	Paid Bird by cheque	200	0	0
,, 28.	Drew cheque for office expenses for two months	33	14	9

[Three Goods accounts, Shipment to Sheppard, Joint Venture, Trade account. On Jan. 18 debit Seymour £250, credit Bank £200, credit Newman £50. On Feb. 5 debit Bird, credit Aveling. On Feb. 6 debit Underwriters, credit Joint Venture. On Feb. 12 debit Fox; credit Bank, credit Cash.]

Payments made indirectly by Booking. Bills of Exchange.

(SET BY CIVIL SERVICE EXAMINERS.)

The following letter is written by a firm at Lyons to their London correspondents, Messrs. Todd :—

GENTLEMEN,

We are in receipt of yours of the 15th inst. with Account Sales of our shipment of silk, showing net proceeds £3,645, for which we are obliged.

We beg to advise our Drafts on you at 10 days' sight, favour Messrs. Lisle :—

Against the Silk Shipment ...	... £3,000
Against our General account ...	... 1,000

The Balance of the Silk Shipment please transfer to our No. 2 account.

In accordance with your request we have paid to Dupuis the equivalent, at exchange 25·40, of £500, which we charge to your Dr. in General account.

Kindly credit Messrs. Allen, under advice, £200 for our No. 2 account ; and note that we have requested Mr. Meyer of Hamburg to credit you with the equivalent of £500 on General account.

Yours faithfully,

BAPTISTE & CO.

Explain the whole of the transactions indicated above.

Give the Ledger entries in Todd's books, and state what is still owing to Baptiste by Todd so far as can be learnt from the above letter.

(A full solution is given in the answers.)

Beginners will find the above simpler if they think over the following statements:—If I have an account in my Ledger headed Allen, and I *credit* it £200, I book Allen as having *paid* me £200, as being owed that sum, and when I settle with Allen *I shall have to pay him* £200 *more*, or Allen will have to pay me £200 less, because of this entry. So debiting Baptiste's account £500 will make Baptiste owe me £500 more, and when I settle with him *I shall be paid* £500 *more*, or have £500 less to pay Baptiste, because of this entry.

ANSWERS.

SHORT SIMPLE EXERCISES.

Final Balance Sheets.

EXERCISE 1.

<i>Liabilities.</i>				<i>Assets.</i>			
Andrews	£	50		Valuation	£	90	
Balance, Final Net	}	790		Cash		735	
Capital				Watts		15	
			£840			£840	
				Final Net Capital, £790			

EXERCISE 2.

Balance, Final Net	}	£1,368		Valuation	£	629	
Capital				Bank		427	
				Cash		312	
						£1,368	
				Final Net Capital, £1,368			

EXERCISE 3.

Norton	£ 56	Valuation	£162
Balance, Final Net	} 522	Cash	416
Capital			<u> </u>
	<u>£578</u>		<u>£578</u>
		Final Net Capital, £522	

EXERCISE 4.

Andrews	£ 70	Valuation	£ 80
Balance, Final Net	} 340	Bank	250
Capital		Cash	30
	<u>£410</u>	Samuels	50
			<u>£410</u>
		Final Net Capital, £340	

EXERCISE 5.

Balance, Final Net	} £1,036	Valuation	£705
Capital		Cash	331
	<u> </u>		<u>£1,036</u>
		Final Net Capital, £1,036	

EXERCISE 6.

Balance, Final Net	} £691	Valuation	£120
Capital		Cash	571
	<u> </u>		<u>£691</u>
		Final Net Capital, £691	

EXERCISE 7.

Balance, Final Net	} £2,928	Cash	£2,928
Capital			<u> </u>
	<u> </u>	Final Net Capital, £2,928	

EXERCISE 8.

Bank (overdrawn) ...	£ 20	Valuation ...	£ 30
Balance, Final Net } ...	215	Cash ...	182
Capital ...		Morgan ...	8
	<u>£235</u>	Swift ...	15
			<u>£235</u>
		Final Net Balance, £215	

EXERCISE 9.

Goodwin ...	£ 15	Valuation ...	£ 70
May ...	400	Cash ...	205
	<u>£415</u>	Balance, Net Deficit } ...	140
		at Close ...	<u>£415</u>
Balance, Net Deficit } ...	£140		
at Close ...			
Owner Insolvent.			

EXERCISE 10.

Balance, Final Net } ...	£1,696	Valuation ...	£924
Capital ...		Cash ...	772
	<u>£1,696</u>		<u>£1,696</u>
		Final Net Capital, £1,696	

EXERCISE 11.

Daniels ...	£ 250	Valuation ...	£188
Balance, Final Net } ...	441	Cash ...	503
Capital ...			<u>£691</u>
	<u>£691</u>		
		Final Net Capital, £441	

EXERCISE 12.

Balance, Final Net } ...	£711	Valuation ...	£456
Capital ...		Cash ...	255
	<u>£711</u>		<u>£711</u>
		Final Net Capital, £711	

EXERCISE 13.

Balance, Final Net } £345	Valuation £ 84
Capital ... }	Cash 231
	Bank 30
	<u>£345</u>
	Final Net Capital, £345

EXERCISE 14.

Outstanding Account ... £ 30	Valuation £466
Balance, Final Net } £804	Bank 20
Capital ... }	Cash 298
	Brown 50
<u>£834</u>	<u>£834</u>
	Final Net Capital, £804

EXERCISE 15.

Outstanding Accounts ... £ 20	Valuation £ 85
Balance, Final Net } 286	Bank 30
Capital ... }	Cash 191
<u>£306</u>	<u>£306</u>
	Final Net Capital, £286

EXERCISE 16.

Balance, Final Net } £371	Valuation £100
Capital ... }	Bank 200
	Cash 71
	<u>£371</u>
	Final Net Capital, £371

EXERCISE 17.

James	£ 5	Valuation	£147
Balance, Final Net	} 684	Bank	500
Capital ...		Cash	42
	<u>£689</u>		<u>£689</u>
		Final Net Capital, £684	

EXERCISE 18.

Bank	£ 63	Valuation	£239
French	144	Cash	521
Balance, Final Net	} 607	Peters	54
Capital ...			<u>£814</u>
	<u>£814</u>		<u>£814</u>
		Final Net Capital, £607	

EXERCISE 19.

Sundry Accounts	£ 14	Valuation	£114
Balance, Net Capital	} 511	Bank	309
at close ...		Cash	102
	<u>£525</u>		<u>£525</u>
		Final Net Capital, £511	

EXERCISE 20.

Sundry Accounts	£ 330	Cash	£1,582
Balance, Final Net	} 2,050	Bank	453
Capital ...		Valuation	345
	<u>£2,380</u>		<u>£2,380</u>
		Balance, Final Net	
		Capital ... } £2,050	

EXERCISE 21.

Smith	£ 30	Valuation	£130
Balance, Final Net	} 385	Cash	255
Capital		Jones	30
	<u>£415</u>		<u>£415</u>
		Balance, Final Net	} £385
		Capital	

EXERCISE 22.

James	£ 20	Valuation	£450
Balance, Final Net	} 675	Bank	100
Capital		Cash	145
	<u>£695</u>		<u>£695</u>
		Final Net Capital, £675	

EXERCISE 23.

George	£ 10	Valuation	£ 50
Balance, Final Net	} 160	Cash	120
Capital			<u>£170</u>
	<u>£170</u>		<u>£170</u>
		Final Net Capital, £160	

EXERCISE 24.

Loan Office	£100	Valuation	£80
Duncan	120	Cash	80
	} £220	Drew	40
		Balance, Final Net	} 20
		Deficit	
	<u>£220</u>		<u>£220</u>
Final Net Deficit, £20			
Owner Insolvent.			

MORE DIFFICULT EXERCISES.

EXERCISE 25.

Bank	£ 1	Valuation	£450
Balance, Final Net	} 1,031	Cash	20
Capital		Watts	481
		Bridge	81
	<u>£1,032</u>		<u>£1,032</u>
		Final Net Capital, £1,031	

EXERCISE 26.

George	£230	Valuation	£1,641
Outstanding Accounts ...	40	Cash	948
Balance, Final Net	} 2,549	Morris	230
Capital			
	<u>£2,819</u>		<u>£2,819</u>
		Final Net Capital, £2,549	

EXERCISE 27.

Balance, Final Net	} £2,968	Valuation	£ 866
Capital		Bank	4
		Cash	2,098
			<u>£2,968</u>
Pratt's ... £ 742	}	Pratt's Capital £742	} £2,968
Drew's ... 2,226		Drew's ,, 2,226	

EXERCISE 28.

Balance, Final Net	} £3,100	Valuation	£ 300
Capital		Cash	2,800
viz.—		Joint Final Net Capital £3,100	
Hughes £2,066 13 4	}	White's Capital £2,066 13 4	}
White 1,033 6 8		Hughes's ,, 1,033 6 8	

EXERCISE 29.

Outstanding Accounts ... £ 60	Valuation £ 660
Balance, Final Net } 2,500	Cash 1,900
Capital ...	
<u>£2,560</u>	<u>£2,560</u>
viz.—	Final Net Capital ... £2,500
Driver ... £1,250 }	{ Driver £1,250 }
Berry ... 1,250 }	{ Berry 1,250 }

EXERCISE 30.

Balance, Final Net } £4,140	Valuation £1,600
Capital ...	Cash 2,540
	<u>£4,140</u>
viz.—	Ayres's Capital ... £3,105 } £4,140
Ayres ... £3,105 }	Dobson's „ ... 1,035 }
Dobson ... 1,035 }	

EXERCISE 31.

Balance, Joint Final } £14,310	Valuation £ 3,800
Net Capital	Cash 10,009
	Lane 501
	<u>£14,310</u>
Brown £2,468 6 8 }	Brown's Cap. £2,468 6 8 } £14,310
Green 4,736 13 4 }	Green's „ 4,736 13 4 }
Olive 7,105 0 0 }	Olive's „ 7,105 0 0 }

EXERCISE 32.

Balance, Joint Final } £3,155	Valuation £1,485
Net Capital ...	Cash 1,670
	<u>£3,155</u>
viz.—	Rice's Cap. £951 13 4 }
Rice £ 951 13 4 }	Jevons's „ 1,151 13 4 } £3,155
Jevons 1,151 13 4 }	Mason's „ 1,051 13 4 }
Mason 1,051 13 4 }	

EXERCISE 33.

Burton	£2,570	Valuation	£6,650
Chard	3,855	Cash	8,770
Duke	8,995		<u> </u>
	<u>£15,420</u>		<u>£15,420</u>

EXERCISE 34.

Bills Payable	£ 324	Cash	£1,890
Balance, Net Capital } at close	£2,166	Agent in Odessa	600
	<u>£2,490</u>		<u> </u>
		Bryant's Capital	£722
		May's ,,	722
		Rose's ,,	722
			<u>£2,166</u>

EXERCISE 35.

Balance, Final Net } Capital	£4,405	Goods	£480
		Business Premises	720
		Horses, etc.	234
Brown's Capital	£2,936 13 4 }	Cash	2,969
Green's ,,	1,468 6 8 }	Petty Cash	2
			<u>£4,405</u>

EXERCISE 36.

Balance, Final Net } Capital	£686	Valuation	£100
		Cash	586
	<u> </u>		<u>£686</u>
		Final Net Capital, £686	

Civil Service Examination Paper.

Dr.

TRIAL BALANCE.

Cr

£	s.	d.		£	s.	d.	
			Capital ...	2,949	8	3	
74	11	1	Profit and Loss	3	10	-	
684	-	-	Joint Advent.	800	-	-	
2,990	-	-	Trade ...	3,046	10	7	
533	-	-	Shipment ...	584	14	2	

Excess of Credits,
£3,102 11 11; ex-
cess of Initial Cap-
ital plus profits
over losses.

Excess of Debits, i.e., of Assets over Liabilities, £3,102 11 11.	1,300	-	-	Valuation	...			
	3,549	18	-	Bank	...	1,937	17	5
	35	-	-	Cash	...	28	10	-
	1,809	14	2	Bills Receiv.	...	1,309	14	2
	1,169	6	6	Bills Payable	...	1,469	6	6
	223	17	2	Bird	...	468	14	-
	746	10	7	Aveling	...	459	12	5
	500	-	-	Seymour	...	500	-	-
	320	-	-	Newman	...	320	-	-
	342	-	-	Mayor	...	400	-	-
	1,200	-	-	Underwriters	...	1,200	-	-
	302	10	-	Fox	...	302	10	-

Total
Debits. £15,780 7 6

Total
Credits. £15,780 7 6

FINAL BALANCE SHEET.

Liabilities.			Assets.		
	£	s. d.		£	s. d.
Bills Payable ...	300	- -	Bank ...	1,612	0 7
Bird	244	16 10	Cash... ...	6	10 0
Mayor ...	58	- -	Valuation ...	1,300	- -
inal Net Capital	3,102	11 11	Bills Receivable ...	500	- -
			Aveling ...	286	18 2
	£3,705	8 9		£3,705	8 9
			Final Net Capital } £3,102 11 11		

Bills of Exchange. Payments made indirectly by Booking.

Baptiste of Lyons has sent Todd of London silk goods to sell for him. Todd clears £3,645 by the sale, after taking out his own commission and the other charges against it. This is *Baptiste's* money ; Todd therefore credits Baptiste's No. 1 Account with £3,645. To get paid, Baptiste makes out, on stamped paper, an order to Todd, bidding him pay *Lisle* £4,000 in ten days' time, and acknowledge this obligation by signing the Acceptance and giving it to Lisle to keep meanwhile. When Lisle gets it, he credits *Baptiste's* account in his books. Todd reckons Baptiste as receiving £4,000 from him as a Bill, and debits his No. 1 Account with a Bill Payable for £3,000, and his General Account with a Bill Payable for £1,000, as desired. The No. 1 Account balance of £645 in favour of Baptiste is placed in No. 2 Account, here, as there, on the Cr. side. It is a *Credit* Balance.

When Baptiste pays Dupuis £500 at Todd's wish, Dupuis credits Todd's account in his books, and Todd debits Dupuis and credits Baptiste's General Account in his books.

When Todd has credited Allen's account in his books with £200, at Baptiste's request, Allen owes Todd £200 less than before, and is indebted for this to Baptiste. Todd being £200 worse off, debits Baptiste's account, because Baptiste really has received it through Allen ; and Todd now owes Baptiste £200 less, and has £200 less owing to him from Allen.

When Meyer has credited Todd with £500, Todd will

owe Meyer £500 less, and will debit Meyer's account in his books. But Todd will owe Baptiste £500 more; so he credits Baptiste £500.

The expression "at exchange 25.40" means that, at that particular date, £1 of English money was reckoned equal to 25 $\frac{2}{5}$ French francs.

Todd's Ledger.

<i>D^r</i>	BAPTISTE'S NO. 1 ACCOUNT.	<i>C^r</i>
To Bills Payable... ..	£ 3,000	By Net Proceeds of con-
„ Balance due to } ..	645	signment from Baptiste
Baptiste ... }		3,645
	<u>£3,645</u>	<u>£</u>

BAPTISTE'S NO. 2 ACCOUNT.

To Allen & Co.	£ 200	By Balance transferred from
		No. 1 Account
		645

BAPTISTE'S GENERAL ACCOUNT.

To Bills Payable... ..	£ 1,000	By Dupuis	£ 500
		„ Meyer	500

DUPUIS' ACCOUNT.

To Baptiste... ..	£ 500
-------------------	-------

MEYER'S ACCOUNT.

To Baptiste... ..	£ 500
-------------------	-------

ALLEN'S ACCOUNT.

By Baptiste... ..	£ 200
-------------------	-------

BILLS PAYABLE ACCOUNT.

|	By No. 1 and General	£
	Account of Baptiste...	4,000

On looking at No. 2 Account, Baptiste's, we see that Todd owes Baptiste £445 after these entries have been made.

SPECIMENS OF COMMERCIAL BOOKS AND FORMS.

Cash Book.

The simplest form contains (1) date, (2) from whom received or to whom paid, (3) sum actually received or actually paid away.

The more complex form contains, in addition to the above, (4) cash at Bank, and (5) discount allowed to me, or by me.

A cash folio is generally double-paged, Dr. page and Cr. page being numbered alike.

SIMPLEST FORM OF CASH BOOK.

Dr.

Cr.

1896.	RECEIPTS.				1896.	PAYMENTS.			
		£	s.	d.			£	s.	d.
Jan. 1	To Balance ...	81	5	6	Jan. 3	By Goods ...	90	0	0
" 2	" Goods ...	10	0	0	" 5	" Ballard ...	41	2	6
" 4	" Bank ...	45	0	0	" 12	" Office Expenses...	0	17	6
" 8	" Peter ...	7	14	6	" 31	{ " Wages Paid During Month ... }	5	0	0
" 20	" Vale ...	12	0	0		Balance ...	91	5	0
" 31	{ " Goods (Cash Sales for Month, as per Till Book) ... }	72	5	0					
		228	5	0					
Feb. 1	Balance ...	£91 5 0					£228 5 0		

MORE COMPLEX FORM OF CASH BOOK.

D^r.C^r.

1896.	RECEIPTS.	Discount I Allow.	At Office.	At Bank.	1896.	PAYMENTS.	Discount I am Allowed.	At Office.	At Bank.
June 1	To Balance ...	£ —	£ 62	£ 750	June 4	By Goods ...	£ 2	£ 40	£ —
" 8	" Goods ...	1	18	—	" 10	" Driver ...	2	—	50
" 15	" Ryles ...	2	24	—	" 18	" Valuation (Horse)	—	—	35
" 20	" Lyons ...	—	—	120	" 24	" Cash at Office ...	—	—	90
" 24	" Bank ...	—	90	—	" 30	{ " Profit and Loss " Trade Expenses, " Rent, etc.	—	89	—
" 30	{ " Goods (Cash " Sales as per " Till Book)	—	85	—		Balance ...	—	150	695
		3	279	870			4	279	870
July 1	Balance ...	—	150	695					

Inward Invoice Book (Purchases Book).

The Dr. side of Goods or Trade account in the Ledger is compiled from this. Cash Book records the ready money purchases.

JULY 1st, 1896.			
Jones, Cr.		£	s. d.
By Goods as per Invoice No. 50	...	21	3 8
JULY 10th.			
Peak, Cr.			
By Goods as per Invoice No. 51	...	65	16 4
JULY 31st.			
Brown, Cr.			
By Goods as per Invoice No. 52	...	34	16 8
Total Credit Purchases during July, £121		16	8

Day Book (Credit Sales Book).

450	19	9	450	19	9
-----	----	---	-----	----	---

The Cr. side of Goods or Trade account in the Ledger is compiled from the Day Book. (Cash Book and Till Book record the ready-money sales.)

An Invoice.*Bristol, Aug. 5, 1896.***MR. BALL.***Bought of RICHARD GROVER, Draper.*

1896.		£	s.	d.
MAY 3.	12 yds. Silk, @ 3s. 6d.	2	2	0
JUNE 10.	8 yds. Honiton Lace, @ 5s. 6d....	2	4	0
JULY 24.	4 pairs Black Kid Gloves, @ 2s. 6d. ...		10	0
AUG. 5.	Remnant of Velvet		14	0
		£5	10	0
Discount, 5 per cent. ...			5	6
		£5	4	6

*Received with thanks, August 5, 1896.***RICHARD GROVER.**

Stamp.

A Receipt (separate from Invoice).*Bristol, Aug. 5, 1896.*

Received of Mr. Ball, the sum of Five Pounds, Four Shillings, and Six Pence, for Goods, as per Invoice.

RICHARD GROVER.

£5 4 6

Stamp.

A Cheque for the foregoing, Crossed.

Bristol Joint Stock Banking Company.
Bristol, Aug. 5, 1896.
 Pay Mr. Richard Greer or Bearer, Five Pounds,
 Four Shillings, and Sixpence.
 Account Payee. Not Negotiable.
 JAMES BALL.
 £5 4 6

[NOT NEGOTIABLE.]

Bills (a Promissory Note).

£250
Dundee, Aug. 3, 1896.
 One month after date, I promise to
 pay to Mr. Charles Dawson, or order, the sum of
 Two Hundred and Fifty Pounds, value received.
 FREDERIC RYLE.

Stamp.

A Draft, Bill, or Acceptance.

£250
Dundee, Aug. 3, 1896.
 One month after date pay to me, or
 my order, the sum of Two Hundred and Fifty
 Pounds, value received.
 Accepted.
 Frederic Ryle,
 Payable to
 Union Bank,
 Dundee.
 CHARLES DAWSON.
 MR. FREDERIC RYLE,
 MONTROSE.

Stamp.

[RYLE OWES £250 TO DAWSON.]

A Foreign Bill of Exchange.

(DRAFT ON BANK ABROAD.)

£3,480

London, Aug. 20, 1896.

Stamp.

Three months after date, pay this our First of Exchange (Second and Third of same tenor and date not paid) to Messrs. Eckstein, or to their order, Three Thousand Four Hundred and Eighty Pounds, value received, and place the same to the debit of our account.

RIVERS & CO.

THE HAMBURG BANKING CO.,
HAMBURG.

A Foreign Bill of Exchange (an Acceptance).£5,000

London, Aug. 31, 1896.

Stamp.

Six months after date, pay this my First of Exchange (Second and Third of the same tenor and date not paid) to Messrs. Brand, or to their order. Five Thousand Pounds sterling value received.

ROBERT HARRIS,
MADRAS.

JOHN WRIGHT.

Robert Harris owes £5,000 to John Wright. Wright owes Messrs. Brand £5,000, and pays them by sending them Harris's acceptance. At the end of six months, Harris will pay Messrs. Brand, unless they have meantime

sold the Bill to another merchant. In that case, Harris will pay that merchant, the holder of the Bill at the time it falls due, the money named on the Bill.

An Account Sales.

Account Sales of 300 Bags of Sugar, per ship *Juno*, on account of Louis & Co. of Mauritius.

1896.				£	s.	d.	£	s.	d.
Aug. 1.	150	Bags at 30s. ...	...	225	—	—			
Sep. 30.	50	Bags at 20s. ...	...	50	—	—			
Oct. 18.	100	Bags at 15s. ...	...	75	—	—			
	<u>300</u>						350	—	—
		CHARGES :—Freight, etc.		60	—	—			
		Our Commission		17	10	—			
							77	10	0
		Net Proceeds ...	...	...	...	...	272	10	0
<i>London, Nov. 1, 1896.</i>									
BRIGGS & Co.									

Bills Receivable Book.

No.	When received.	From whom received.	Amount.	By whom drawn.	On whom drawn.	When due.	When disposed of.	How disposed of.
30	1896. Dec. 1	Smith	£ 315	Brown	Jones	Jan. 4	1896. Dec. 3	Discounted with Williams for £310. Collected by Bank.
31	Dec. 30	Driver	£ 120	Driver	Ford	March 2	March 2	

Bills Payable Book.

No.	When given or accepted.	By whom drawn.	Amount.	When due.	When paid.	Where paid.	Ledger Folio or No.
5	Jan. 1 1897	Bryant	£ 310	March 4 1897	March 4 1897	At Bank	Folio 16 Folio 17

Two Forms of Journal.

I.—GOVERNMENT OFFICE FORM.

Dr.

DATES OVER, DEBITS TO LEFT.

Cr.

Ledger Folio.	£	s.	d.		£	s.	d.
				JAN. 1, 1897			
1	50	—	—	Cash, Dr.			
1	250	—	—	Valuation, Dr.			
1	150	—	—	Goods, Dr.			
2	—	—	—	To Jones, Cr.	50	—	—
1	—	—	—	To Capital, Cr.	400	—	—
	450	—	—	Total of Balances from last year's Ledger.	450	—	—
				JAN. 2			
1	80	—	—	Goods, Dr.			
3				To Johnson, Cr.	80	—	—

II.—ORDINARY JOURNAL.

DATES TO LEFT; DEBITS AND CREDITS SIDE BY SIDE.

D^r. *C^r.*

Date.	Ledger Folio.		£	s.	d.	£	s.	d.
1897 Jan. 1	2	Bank, Dr.	300	—	—			
	2	Cash, Dr.	100	—	—			
	1	To Capital Account, Cr.				400	—	—
„ 2	1	Goods, Dr.	50	—	—			
	8	To Budget, Cr.				50	—	—
„ 3	2	Valuation, Dr.	35	—	—			
	2	To Bank, Cr.				35	—	—

Final Balance Sheet.

BALANCE SHEET OF BYLES & GLEGG, ON
MARCH 31ST, 1896.

Liabilities.	£	s.	d.	Assets.	£	s.	d.
Bills Payable	720	—	—	Cash at Bank...	324	16	8
Mortgage on Premises...	200	—	—	„ in Hand	128	3	4
Budget & Co.	700	—	—	Stock in Trade	450	—	—
Outstanding Accounts...	78	—	—	Fixtures ...	120	—	—
Balance, Net Capital	400	—	—	Premises ...	400	—	—
				Horses and Vans	150	—	—
				Bills Receivable	500	—	—
				R. Burns ...	25	—	—
	2,098	—	—		2,098	—	—

Account State; Current Account.**BRODIE & CO. IN ACCOUNT WITH WM. GREEN.****(A CUSTOMER'S ACCOUNT.)**

1896		£	s.	d.	1896		£	s.	d.
June 1	To Goods ...	75	2	6	June 2	By Bill Rec. ...	60	-	-
" 4	" " ...	120	-	-	"	" Cash ...	15	2	6
" 20	" " ...	65	-	-	" 30	" Bank ...	185	-	-
July 6	To Bill Rec. } dishonoured } and expenses } paid }	60	6	8	July 30	By Cash for } dishonoured } Bill & Costs }	60	6	8
Aug. 1	To Cash paid } to Harvey } at request of } Brodie & Co. }	35	-	-	" 31	By Net Pro- } ceeds of } Consignment } sold for } Brodie & Co. }	300	-	-
	Balance due } to Brodie } & Co. }	265	-	-			£	620	9 2
		£	620	9 2	Aug. 1	Balance in } favour of } Brodie & }	265	-	-

This is simply Brodie & Co.'s personal account in the Books of Wm. Green.

Wm. Ashton in account with the Firm of Ashton, Briggs, & Conley. [A Partner's Account.]

Wm. Ashton's Capital Account.

1896. Dec. 31	Balance, Wm. Ashton's Final Net Capital	£ 2,200	1896. Jan. 1	By Sundries (his share of Initial Net Capital)	£ 2,000
			Dec. 31	By Balance from Current Ac- count	200
					£2,200

Wm. Ashton's Current Account.

1896. Dec. 25.	To Cash withdrawn	£ 650	1896. Mar. 1.	By advance of fur- ther Capital ...	£ 500
Dec. 30.	„ Goods taken from stock for private use ...	40	Dec. 31.	„ interest on Capi- tal ...	75
Dec. 31.	„ Balance car- ried to Ash- ton's Capital Account ...	200	„ „	„ Ashton's share of Net Profit	315
		£890			£890

These accounts are also *the personal accounts* of Wm. Ashton in the Firm's Books. If his Current account had been entered in his Capital account, debits here being debits there, and credits here credits there, the result would of course be the same. The only advantage of opening a Current account is keeping Capital account clear of detail.

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